

ISLE OF CAPRI CASINOS INC (ISLE)

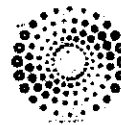
10-Q

Quarterly report pursuant to sections 13 or 15(d)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)



AN ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 25, 2010

OR



TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-20538

ISLE OF CAPRI CASINOS, INC.

Delaware
(State or other jurisdiction of
incorporation or organization)

41-1659606
(I.R.S. Employer
Identification Number)

600 Emerson Road, Suite 300, Saint Louis, Missouri
(Address of principal executive offices)

63141
(Zip Code)

Registrant's telephone number, including area code: (314) 813-9200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 31, 2010, the Company had a total of 32,747,672 shares of Common Stock outstanding (which excludes 4,034,483 shares held by us in treasury).

PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ISLE OF CAPRI CASINOS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	July 25, 2010 (unaudited)	April 25, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 63,516	\$ 68,069
Marketable securities	23,664	22,926
Accounts receivable, net	9,478	8,879
Income taxes receivable	7,318	8,109
Deferred income taxes	16,826	16,826
Prepaid expenses and other assets	33,785	25,095
Total current assets	154,587	149,904
Property and equipment, net	1,129,683	1,098,942
Other assets:		
Goodwill	345,303	313,136
Other intangible assets, net	85,834	79,675
Deferred financing costs, net	9,533	10,354
Restricted cash	12,730	12,774
Prepaid deposits and other	17,795	20,055
Total assets	\$1,755,465	\$1,674,840
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 8,762	\$ 8,754
Accounts payable	30,212	24,072
Accrued liabilities:		
Interest	17,713	14,779
Payroll and related	43,149	45,863
Property and other taxes	21,870	20,253
Other	47,795	43,434
Total current liabilities	169,501	157,155
Long-term debt, less current maturities	1,258,302	1,192,135
Deferred income taxes	28,763	29,193
Other accrued liabilities	40,006	38,972
Other long-term liabilities	17,120	17,166
Stockholders' equity:		
Preferred stock, \$0.01 par value; 2,000,000 shares authorized; none issued		
Common stock, \$0.01 par value; 45,000,000 shares authorized; shares issued: 36,783,871 at July 25, 2010 and 36,711,730 at April 25, 2010	368	367
Class B common stock, \$0.01 par value; 3,000,000 shares authorized; none issued		
Additional paid-in capital	203,323	201,464
Retained earnings	95,900	98,555
Accumulated other comprehensive (loss) income	(5,711)	(8,060)
Treasury stock, 4,326,242 shares at July 25, 2010 and at April 25, 2010	(52,107)	(52,107)
Total stockholders' equity	241,773	240,219
Total liabilities and stockholders' equity	\$1,755,465	\$1,674,840

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended	
	July 25, 2010	July 26, 2009
Revenues:		
Casino	\$ 259,162	\$ 262,263
Rooms	10,881	12,261
Pari-mutuel, food, beverage and other	34,091	34,295
Gross revenues	304,134	308,819
Less promotional allowances	(52,213)	(50,905)
Net revenues	251,921	257,914
Operating expenses:		
Casino	39,609	39,265
Gaming taxes	64,406	66,304
Rooms	2,769	3,057
Pari-mutuel, food, beverage and other	11,168	10,842
Marine and facilities	14,609	15,646
Marketing and administrative	63,620	64,088
Corporate and development	12,521	9,945
Depreciation and amortization	22,933	28,828
Total operating expenses	231,635	237,975
Operating income	20,286	19,939
Interest expense	(23,795)	(18,347)
Interest income	474	368
Derivative income (expense)	(1,487)	
Income (loss) from continuing operations before income taxes	(4,522)	1,960
Income tax benefit (provision)	1,867	(905)
Income (loss) from continuing operations	(2,655)	1,055
Income (loss) from discontinued operations, net of income taxes	—	(150)
Net income (loss)	\$ (2,655)	\$ 905
Income (loss) per common share basic and dilutive:		
Income (loss) from continuing operations	\$ (0.08)	\$ 0.03
Income (loss) from discontinued operations, net of income taxes	—	—
Net income (loss)	\$ (0.08)	\$ 0.03
Weighted average basic shares	32,447,904	31,799,100
Weighted average diluted shares	32,447,904	31,855,101

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
(Unaudited)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accum. Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, April 25, 2010	36,771,730	\$367	\$201,464	\$98,555	\$ (8,060)	\$ (52,107)	\$ 240,219
Net loss	—	—	—	(2,655)	—	—	(2,655)
Deferred hedge adjustment, net of income tax provision of \$1,462	—	—	—	—	2,449	—	2,449
Unrealized loss on interest-rate cap contracts net of income tax benefit of \$8	—	—	—	—	(13)	—	(13)
Foreign currency translation adjustments	—	—	—	—	(87)	—	(87)
Comprehensive loss	—	—	—	—	—	—	(306)
Exercise of stock options	500	—	38	—	—	—	38
Issuance of deferred bonus shares	11,641	1	—	—	—	—	1
Stock compensation expense	—	—	1,856	—	—	—	1,856
Balance, July 25, 2010	36,783,871	\$368	\$203,323	\$95,900	\$ (5,711)	\$ (52,107)	\$ 241,773

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended	
	July 25, 2010	July 26, 2009
Operating activities:		
Net income (loss)	\$ (2,655)	\$ 905
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	22,933	28,329
Amortization of deferred financing costs	821	593
Deferred income taxes	(1,884)	1,930
Stock compensation expense	1,856	1,263
Deferred compensation expense	—	24
Loss on derivative instruments	1,487	—
Loss (gain) on disposal of assets	(191)	23
Changes in operating assets and liabilities, net of acquisition:		
Purchases of trading securities	(738)	(1,096)
Accounts receivable	(596)	2,872
Income tax receivable	791	2,271
Prepaid expenses and other assets	(6,291)	(10,637)
Accounts payable and accrued liabilities	12,353	11,031
Net cash provided by operating activities	27,886	38,008
Investing activities:		
Purchase of property and equipment	(12,938)	(4,382)
Net cash paid for acquisition, net of cash acquired	(76,167)	—
Payments towards gaming license	—	(4,000)
Increase in restricted cash	(9,474)	(209)
Net cash used in investing activities	(98,579)	(8,591)
Financing activities:		
Principal payments on debt	(2,324)	(2,317)
Net (repayments) borrowings on line of credit	68,500	(19,000)
Proceeds from exercise of stock options	3	—
Net cash provided by (used in) financing activities	66,179	(21,317)
Effect of foreign currency exchange rates on cash	(39)	30
Net increase (decrease) in cash and cash equivalents	(4,553)	8,130
Cash and cash equivalents, beginning of period	68,069	96,654
Cash and cash equivalents, end of the period	\$ 63,516	\$ 104,784

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
Notes to Condensed Consolidated Financial Statements
(amounts in thousands, except share and per share amounts)
(Unaudited)

1. Nature of Operations

Isle of Capri Casinos, Inc., a Delaware corporation, was incorporated in February 1990. Except where otherwise noted, the words "we," "us," "our" and similar terms, as well as "Company," refer to Isle of Capri Casinos, Inc. and all of its subsidiaries. We are a leading developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in markets throughout the United States. Our wholly owned subsidiaries own and operate fourteen casino gaming facilities in the United States located in Black Hawk, Colorado; Lake Charles, Louisiana; Lula, Biloxi, Natchez and Vicksburg, Mississippi; Kansas City, Caruthersville and Boonville, Missouri; Bettendorf, Davenport, Waterloo and Marquette, Iowa; and Pompano Beach, Florida.

2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and in accordance with accounting principles generally accepted in the United States of America for interim financial reporting. Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted. The accompanying interim consolidated financial statements have been prepared without audit. In the opinion of management, all adjustments, including normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented, have been made. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K/A for the year ended April 25, 2010 as filed with the SEC and all of our other filings, including Current Reports on Form 8-K, filed with the SEC after such date and through the date of this report, which are available on the SEC's website at www.sec.gov or our website at www.islecorp.com.

Our fiscal year ends on the last Sunday in April. Periodically, this system necessitates a 53-week year. Fiscal 2011 and 2010 are both 52-week years, which commenced on April 26, 2010 and April 27, 2009, respectively.

Discontinued operations include our former Blue Chip casinos in Dudley and Wolverhampton, England, sold in November 2009, our former casino in Freeport, Grand Bahamas, exited in November 2009 and our former casino in Coventry, England sold in fiscal year 2009. The results of our discontinued operations for the three months ended July 26, 2009, are summarized as follows:

Net revenues	\$ 3,574
Pretax loss from discontinued operations	(220)
Income tax benefit from discontinued operations	70
Loss from discontinued operations	(150)

The condensed consolidated financial statements include our accounts and those of our subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior period financial statements to conform to the current period presentation. We view each property as an operating segment and all such operating segments have been aggregated into one reporting segment.

The Company evaluated all subsequent events through the date of the consolidated financial statements and has disclosed such subsequent events in the notes to the condensed consolidated financial statements. No material subsequent events have occurred that required recognition in the condensed consolidated financial statements.

3. Acquisition

We completed the acquisition of Rainbow Casino-Vicksburg Partnership, L.P. ("Rainbow") located in Vicksburg, Mississippi on June 8, 2010 acquiring 100% of the partnership interests and have included the results of Rainbow in our consolidated financial statements subsequent to June 8, 2010. The preliminary allocation of the purchase price for these partnership interests was determined based upon estimates of future cash flows and evaluations of the net assets acquired. The transaction was accounted for using the acquisition method in accordance with the accounting guidance under Accounting Standards Codification Topic 805, *Business Combinations*. As a result, the net assets of Rainbow were recorded at their estimated fair value with the excess of the purchase price over the fair value of the net assets acquired allocated to goodwill. The acquisition was funded by borrowings from Isle's senior secured credit facility. The purchase price allocation remains preliminary as management is in process of obtaining third party valuations to assist management in its determination of fair value for property and equipment, and intangible assets acquired.

The following table sets forth the determination of the consideration paid for Rainbow and the current preliminary purchase price allocation based upon management's current estimate of the fair value of the net assets acquired.

Gross cash purchase price	\$ 80,000
Deduct:	
Cash acquired	(2,540)
Cash refunded by Seller under purchase price adjustments	(1,293)
Total purchase price	\$ 76,167
Preliminary purchase price allocation:	
Current assets	\$ 298
Property and equipment	38,387
Intangible assets:	
Customer list	9
Tradenam	544
Customer relationships	16,700
Total intangibles	7,253
Goodwill	32,167
Other assets	392
Current liabilities	(1,902)
Other liabilities	(428)
Total purchase price	\$ 76,167

The useful lives of assets acquired are estimated as follows: customer list — three years; tradename 1.5 years; customer relationships eight years; furniture and equipment one to five years; and property and equipment fifteen to twenty-five years. Deductible goodwill for tax purposes is estimated to be approximately \$33,000.

A rollforward of goodwill is as follows:

Balance April 25, 2010	\$ 313,136
Addition from Rainbow acquisition	32,167
Balance July 25, 2010	\$ 345,303

The pro forma results of operations, as if the acquisition of Rainbow had occurred on the first day of each fiscal year, are as follows:

	Three Months Ended	
	July 25, 2010	July 26, 2009
Pro forma		
Net Revenues	\$ 255,738	\$ 266,940
Income (loss) from continuing operations before income taxes	(4,407)	3,467
Net income (loss) from continuing operations	(2,583)	1,998
Basic earnings (loss) per share	(0.08)	0.06
Diluted earnings (loss) per share	(0.08)	0.06

4. Long-Term Debt

Long-term debt consists of the following:

	July 25, 2010	April 25, 2010
Senior Secured Credit Facility:		
Revolving line of credit, expires July 26, 2012, interest payable at least quarterly at either LIBOR and/or prime plus a margin	\$ 90,000	\$ 21,500
Variable rate term loans, mature November 25, 2013, principal and interest payments due quarterly at either LIBOR and/or prime plus a margin	\$15,157	\$17,256
7% Senior Subordinated Notes, interest payable semi-annually March 1 and September 1	357,275	357,275
Other	4,632	4,858
	\$1,267,064	\$1,200,889
Less current maturities	8,762	8,754
Long-term debt	\$1,258,302	\$1,192,135

Credit Facility - The Credit Facility as amended ("Credit Facility") consists of a \$375,000 revolving line of credit and an \$875,000 term loan facility. The Credit Facility is secured on a first priority basis by substantially all of our assets and guaranteed by all of our significant domestic subsidiaries.

Our net line of credit availability at July 25, 2010 as limited by our maximum leverage covenant was approximately \$126,000. We have an annual commitment fee related to the unused portion of the Credit Facility of up to 0.75% which is included in interest expense in the accompanying consolidated statements of operations. The weighted average effective interest rate of the Credit Facility for the three months ended July 25, 2010 is 6.62%.

The Credit Facility includes a number of affirmative and negative covenants. Additionally, we must comply with certain financial covenants including maintenance of a leverage ratio and minimum interest coverage ratio. The Credit Facility also restricts our ability to make certain investments or distributions. We were in compliance with the covenants as of July 25, 2010.

7% Senior Subordinated Notes - Our 7% Senior Subordinated Notes are due 2014 ("7% Senior Subordinated Notes") and are guaranteed, on a joint and several basis, by all of our significant subsidiaries and certain other subsidiaries as described in Note 10. All of the guarantor subsidiaries are wholly owned by us. The 7% Senior Subordinated Notes are general unsecured obligations and rank junior to all of our senior indebtedness. The 7% Senior Subordinated Notes are redeemable, in whole or in part, at our option at any time on or after March 1, 2009, with call premiums as defined in the indenture governing the 7% Senior Subordinated Notes.

The indenture governing the 7% Senior Subordinated Notes limits, among other things, our ability and our restricted subsidiaries' ability to borrow money, make restricted payments, use assets as security in other transactions, enter into transactions with affiliates or pay dividends on or repurchase stock. The indenture also limits our ability to issue and sell capital stock of subsidiaries, sell assets in excess of specified amounts or merge with or into other companies.

5. Common Stock

Earnings per Share of Common Stock - The following table sets forth the computation of basic and diluted income (loss) per share:

	Three Months Ended	
	July 25, 2010	July 26, 2009
Numerator:		
Income (loss) applicable to common shares:		
Income (loss) from continuing operations	\$ (2,655)	\$ 1,055
Income (loss) from discontinued operations	—	(150)
Net income (loss)	\$ (2,655)	\$ 905
Denominator:		
Denominator for basic earnings (loss) per share - weighted average shares	32,447,904	31,779,100
Effect of dilutive securities Employee stock options	—	76,001
Denominator for diluted loss per share - adjusted weighted average shares and assumed conversions	32,447,904	31,855,101
Basic earnings (loss) per share:		
Income (loss) from continuing operations	\$ (0.08)	\$ 0.03
Income (loss) from discontinued operations	—	—
Net income (loss)	\$ (0.08)	\$ 0.03
Diluted earnings (loss) per share:		
Income (loss) from continuing operations	\$ (0.08)	\$ 0.03
Income (loss) from discontinued operations	—	—
Net income (loss)	\$ (0.08)	\$ 0.03

Our basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of shares outstanding for the period. Due to the loss from continuing operations, stock options representing 187,276 shares, which are potentially dilutive, and 534,210 shares which are anti-dilutive, were excluded from the calculation of common shares for diluted (loss) per share for the three months ended July 25, 2010. Stock options representing 1,177,823 shares which were anti-dilutive were excluded from the calculation of common shares for diluted income per share for the three month ended July 26, 2009.

Stock Based Compensation — Under our amended and restated 2009 Long Term Incentive Plan we have issued stock options and restricted stock.

Restricted Stock—Restricted stock awarded to employees under annual long-term incentive grants vests one-third on each anniversary of the grant date and for directors vests one-half on the grant date and one-half on the first anniversary of the grant date. Restricted stock previously awarded under our tender offer vests three years from the date of award. Our estimate of forfeitures for restricted stock for employees is 10%. No forfeiture rate is estimated for directors. As of July 25, 2010, our unrecognized compensation cost for unvested restricted stock is \$4,365 with a remaining weighted average vesting period of 1.1 years.

Subsequent to the quarter ended July 25, 2010, we issued 306,247 shares of restricted common stock with a weighted average grant-date fair value of \$8.72 to employees under the Long Term Incentive Plan.

Stock Options—We have issued incentive stock options and nonqualified stock options which have a maximum term of 10 years and are, generally, vested and exercisable in yearly installments of 20% commencing one year after the date of grant. We currently estimate our aggregate forfeiture rates at 12%. As of July 25, 2010, our unrecognized compensation cost for unvested stock options was \$1,215 with a weighted average vesting period of 2.9 years.

6. Interest Rate Derivatives

We have entered into various interest rate derivative agreements in order to manage market risk on variable rate term loans outstanding, as well as comply with, in part, requirements under the Credit Facility. We have interest rate swap agreements with an aggregate notional value of \$400,000 with maturity dates through fiscal 2014. We have also entered into an interest rate cap contract with a notional value of \$20,000 having a maturity date in fiscal 2012 and paid a premium of \$105 at inception. As a result of the amendment to our Credit Facility in the fourth quarter of fiscal 2010, our interest rate swaps no longer meet the criteria for hedge effectiveness, and therefore changes in the fair value of the swaps subsequent to the date of ineffectiveness in February 2010, are recorded in derivative income (expense) in the consolidated statement of operations. Prior to their ineffectiveness, these interest rate swaps were adjusted through other comprehensive income (loss) as these derivative instruments qualified for hedge accounting. The cumulative loss recorded in other comprehensive income (loss) through the date of ineffectiveness will be amortized into earnings over the remaining term of the individual interest rate swap agreements or when the underlying transaction is no longer expected to occur. As of July 25, 2010, the weighted average fixed LIBOR interest rate of our interest rate swap agreements was 4.58%.

The interest rate cap agreement meets the criteria for hedge accounting for cash flow hedges and has been evaluated, as of July 25, 2010 as being fully effective. As a result, there is no impact on our consolidated statement of operations from changes in fair value of the interest rate cap.

The loss recorded in other comprehensive income (loss) of our interest rate swap contracts is recorded net of deferred income tax benefits of \$3,241 and \$4,704, as of July 25, 2010 and April 25, 2010, respectively. The loss recorded in other comprehensive income (loss) for our interest rate cap contract is recorded net of deferred income tax benefits of \$1 and \$9 as of July 25, 2010 and April 25, 2010, respectively.

The fair values of derivatives included in our consolidated balance sheet are as follows:

Type of Derivative Instrument	Balance Sheet Location	July 25, 2010	April 25, 2010
Interest rate cap contract	Prepaid deposits and other	\$3,241	\$4,704
Interest rate swap contracts	Accrued interest	3,359	6,704
Interest rate swap contracts	Other long-term liabilities	7,167	16,247

We recorded income of \$2,424 in derivative income (expense) related to the change in fair value of interest rate swap contracts during the three months ended July 25, 2010.

Additionally, during the three months ended July 25, 2010, we recorded expense of \$3,911 in derivative income (expense) associated with the amortization of \$2,449, net of taxes of \$1,462, of cumulative loss recorded in other comprehensive income (loss) for the interest rate swaps through the date of their ineffectiveness.

The change in unrealized gain (loss) on our derivatives qualifying for hedge accounting was \$22 and \$2,298 for the three months ended July 25, 2010 and July 26, 2009, respectively.

The amount of accumulated other comprehensive income (loss), related to interest rate swap contracts and interest rate cap contracts maturing within the next twelve months was \$3,753, net of tax of \$2,202, as of July 25, 2010.

7. Fair Value

The fair value of our interest swap and cap contracts are recorded at fair value using Level 3 inputs at the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation.

The following table presents the changes in Level 3 liabilities measured at fair value on a recurring basis for the three months ended July 25, 2010:

	Interest Rate Derivatives
Balance at April 25, 2010	\$ (12,927)
Realized gains/(losses)	2,424
Unrealized gains/(losses)	(21)
Balance at July 25, 2010	\$ (10,524)

Financial Instruments - The estimated carrying amounts and fair values of our other financial instruments are as follows:

	July 25, 2010		April 25, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 63,516	\$ 63,516	\$ 68,069	\$ 68,069
Marketable securities	23,664	23,664	22,926	22,296
Restricted cash	12,730	12,730	2,774	2,774
Notes receivable	8,018	8,018	3,000	3,000
Financial liabilities:				
Revolving line of credit	\$ 90,000	\$ 83,700	\$ 21,500	\$ 20,855
Variable rate term loans	815,157	772,361	817,256	800,917
7% Senior subordinated notes	357,275	328,693	357,275	326,013
Other long-term debt	4,632	4,632	4,858	4,858
Other long-term obligations	17,120	17,120	17,166	17,166

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents, restricted cash and notes receivable are carried at cost, which approximates fair value due to their short-term maturities.

Marketable securities are based upon Level 1 inputs obtained from quoted prices available in active markets and represent the amounts we would expect to receive if we sold these marketable securities.

The fair value of our long-term debt or other long-term obligations is estimated based on the quoted market price of the underlying debt issue or, when a quoted market price is not available, the discounted cash flow of future payments utilizing current rates available to us for debt of similar remaining maturities. Debt obligations with a short remaining maturity are valued at the carrying amount.

8. Accumulated Other Comprehensive Income (Loss)

A detail of Accumulated other comprehensive income (loss) is as follows:

	July 25, 2010	April 25, 2010
Interest rate cap contracts	\$ (63)	\$ (50)
Interest rate swap contracts	(5,428)	(7,877)
Foreign currency translation loss	(220)	(133)
	<u>\$ (5,711)</u>	<u>\$ (8,060)</u>

The amount of change in the gain (loss) recognized in accumulated other comprehensive income (loss) related to derivative instruments is as follows:

Type of Derivative Instrument	Three Months Ended	
	July 25, 2010	July 26, 2009
Interest rate cap contracts	\$ (13)	\$
Interest rate swap contracts	2,449	1,437
	<u>\$ 2,436</u>	<u>\$ 1,437</u>

9. Income Taxes

Our effective income tax rates from continuing operations for the three months ended July 25, 2010 and July 26, 2009 were 41.3% and 46.2%, respectively. Our effective rate is based on statutory rates applied to our income adjusted for permanent differences. Our actual effective rate will fluctuate based upon the amount of our pretax book income, permanent differences and other items used in the calculation of our income tax benefit.

Related to our uncertain tax positions, we accrued gross interest expense of \$157 for the three months ended July 25, 2010 as a component of our income tax benefit. As of July 25, 2010, we have recognized a liability of \$2,984 for interest and no amount for penalties.

During fiscal 2010, the IRS completed its examination of our federal income tax returns which relate to our fiscal years ended April 29, 2007 and April 27, 2008. The income tax examination changes are subject to review by the U.S. Congress Joint Committee on Taxation and on August 20, 2010 we received notification that the review had been completed with no exception to the examination. Following the completion of the review by the U.S. Congress Joint Committee on Taxation, we are reviewing certain of our unrecognized federal tax positions for possible derecognition.

10. Supplemental Disclosures

Cash Flow — For the three months ended July 25, 2010 and July 26, 2009, we made net cash payments for interest of \$16,712 and \$12,262, respectively. Additionally, we received income tax refunds of \$927 and \$3,590 during the three months ended July 25, 2010 and July 26, 2009, respectively.

In fiscal year 2006, we obtained a gaming license for our Waterloo, Iowa property and recorded an intangible asset of \$18,547. Annual payments for the license are recorded on a yearly basis and for the three months ended July 26, 2009, we made payments of \$4,000 towards the gaming license.

For the three months ended July 25, 2010 and July 26, 2009, the change in accrued purchases of property and equipment in accounts payable increased by \$1,206 and \$1,102, respectively.

11. Contingencies

Legal and Regulatory Proceedings—Lady Luck Gaming Corporation (now our wholly owned subsidiary) and several joint venture partners have been defendants in the Greek Civil Courts and the Greek Administrative Courts in similar lawsuits brought by the country of Greece. The actions allege that the defendants failed to make specified payments in connection with the gaming license bid process for Patras, Greece. Although it is difficult to determine the damages being sought from the lawsuits, the action may seek damages up to that aggregate amount plus interest from the date of the action.

In the Civil Court lawsuit, the Civil Court of First Instance ruled in our favor and dismissed the lawsuit in 2001. Greece appealed to the Civil Appeal Court and, in 2003, the Court rejected the appeal. Greece then appealed to the Civil Supreme Court and, in 2007, the Supreme Court ruled that the matter was not properly before the Civil Courts and should be before the Administrative Court.

In the Administrative Court lawsuit, the Administrative Court of First Instance rejected the lawsuit stating that it was not competent to hear the matter. Greece then appealed to the Administrative Appeal Court, which court rejected the appeal in 2003. Greece then appealed to the Supreme Administrative Court, which remanded the matter back to the Administrative Appeal Court for a hearing on the merits. The re-hearing took place in 2006, and in 2008 the Administrative Appeal Court rejected Greece's appeal on procedural grounds. On December 22, 2008 and January 23, 2009, Greece appealed the ruling to the Supreme Administrative Court. A hearing has tentatively been scheduled for November 2010.

The outcome of this matter is still in doubt and cannot be predicted with any degree of certainty. We intend to continue a vigorous and appropriate defense to the claims asserted in this matter. Through July 25, 2010, we have accrued an estimated liability including interest of \$10,937. Our accrual is based upon management's estimate of the original claim by the plaintiffs for lost payments. We continue to accrue interest on the asserted claim. We are unable to estimate a total possible loss as information as to possible additional claims, if any, have not been asserted or quantified by the plaintiffs at this time.

During January, 2010, we entered into an agreement to provide management services for a potential casino to be located at the Nemacolin Woodlands Resort in Farmington, Pennsylvania, ("The Resort"). The development of this casino is subject to numerous regulatory approvals including obtaining a state gaming license, of which is a competitive award process among several applicants. If The Resort is successful in obtaining a gaming license, we have agreed to complete the build-out of the casino space. We currently estimate the project cost at approximately \$50,000.

We have filed an application with the Missouri Gaming Commission to develop a casino in Cape Girardeau, Missouri and have entered into a development agreement with the City of Cape Girardeau that would take effect if we are selected for licensure by the State of Missouri and other contingencies in the development agreement are met. We currently estimate the cost of the project at approximately \$125,000.

We are subject to certain federal, state and local environmental protection, health and safety laws, regulations and ordinances that apply to businesses generally, and are subject to cleanup requirements at certain of our facilities as a result thereof. We have not made, and do not anticipate making material expenditures, nor do we anticipate incurring delays with respect to environmental remediation or protection. However, in part because our present and future development sites have, in some cases, been used as manufacturing facilities or other facilities that generate materials that are required to be remediated under environmental laws and regulations, there can be no guarantee that additional pre-existing conditions will not be discovered and we will not experience material liabilities or delays.

We are subject to various contingencies and litigation matters and have a number of unresolved claims. Although the ultimate liability of these contingencies, this litigation and these claims cannot be determined at this time, we believe they will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

12. Consolidating Condensed Financial Information.

Certain of our wholly owned subsidiaries have fully and unconditionally guaranteed on a joint and several basis, the payment of all obligations under our 7% Senior Subordinated Notes.

The following wholly owned subsidiaries of the Company are guarantors, on a joint and several basis, under the 7% Senior Subordinated Notes: Black Hawk Holdings, L.L.C.; Casino America of Colorado, Inc.; CCSC/Blackhawk, Inc.; Grand Palais Riverboat, Inc.; IC Holdings Colorado, Inc.; IOC-Black Hawk Distribution Company, L.L.C.; IOC-Boonville, Inc.; IOC-Caruthersville, L.L.C.; IOC-Kansas City, Inc.; IOC-Lula, Inc.; IOC-Natchez, Inc.; IOC-Black Hawk County, Inc.; IOC-Davenport, Inc.; IOC Holdings, L.L.C.; IOC Services, L.L.C.; IOC-Vicksburg, Inc.; IOC-Vicksburg, LLC; Rainbow Casino Vicksburg Partnership, L.P.; Isle of Capri Bahamas Holdings, Inc.; Isle of Capri Bettendorf Marina Corporation; Isle of Capri Bettendorf, L.C.; Isle of Capri Black Hawk Capital Corp.; Isle of Capri Black Hawk, L.L.C.; Isle of Capri Marquette, Inc.; P.P.I., Inc.; Riverboat Corporation of Mississippi; Riverboat Services, Inc.; and St. Charles Gaming Company, Inc. Each of the subsidiaries' guarantees is joint and several with the guarantees of the other subsidiaries.

Consolidating condensed balance sheets as of July 25, 2010 and April 25, 2010 are as follows (in thousands):

As of July 25, 2010					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Balance Sheet					
Current assets	\$ 53,518	\$ 76,459	\$ 32,691	\$ (8,081)	\$ 154,587
Intercompany receivables	1,040,241	(244,547)	(44,926)	(750,768)	—
Investments in subsidiaries	394,475	(63,752)	—	(330,723)	—
Property and equipment, net	7,488	1,090,131	32,064	—	1,129,683
Other assets	59,829	446,038	20,262	(54,934)	471,195
Total assets	\$ 1,555,551	\$ 1,304,329	\$ 40,091	\$ (1,144,506)	\$ 1,755,465
Current liabilities	\$ 49,288	\$ 188,452	\$ 39,842	\$ (8,081)	\$ 169,501
Intercompany payables	—	750,768	—	(750,768)	—
Long-term debt, less current maturities	1,254,033	3,557	4712	—	1,258,302
Other accrued liabilities	10,457	117,282	13,084	(54,934)	85,889
Stockholders' equity	241,773	344,270	(13,547)	(330,723)	241,773
Total liabilities and stockholders' equity	\$ 1,555,551	\$ 1,304,329	\$ 40,091	\$ (1,144,506)	\$ 1,755,465
As of April 25, 2010					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Balance Sheet					
Current assets	\$ 35,835	\$ 71,976	\$ 43,193	\$ (1,100)	\$ 149,904
Intercompany receivables	990,557	(185,612)	(54,177)	(750,768)	—
Investments in subsidiaries	390,369	(63,110)	—	(327,259)	—
Property and equipment, net	57,579	1,059,147	32,216	—	1,098,942
Other assets	57,092	409,106	11,150	(51,354)	425,994
Total assets	\$ 1,481,432	\$ 1,291,507	\$ 32,382	\$ (1,130,481)	\$ 1,674,840
Current liabilities	\$ 46,581	\$ 80,884	\$ 30,790	\$ (1,100)	\$ 157,155
Intercompany payables	—	750,768	—	(750,768)	—
Long-term debt, less current maturities	1,187,631	3,760	744	—	1,192,135
Other accrued liabilities	7,001	116,815	12,869	(51,354)	85,331
Stockholders' equity	240,219	339,280	(12,021)	(327,259)	240,219
Total liabilities and stockholders' equity	\$ 1,481,432	\$ 1,291,507	\$ 32,382	\$ (1,130,481)	\$ 1,674,840

Consolidating condensed statements of operations for the three months ended July 25, 2010 and July 26, 2009 are as follows (in thousands):

	For the Three Months Ended July 25, 2010				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Statement of Operations					
Revenues:					
Casino	\$ —	\$ 259,162	\$ —	\$ —	\$ 259,162
Pari-mutuel, rooms, food, beverage and other	322	44,626	2,544	(2,520)	44,972
Gross revenues	322	303,788	2,544	(2,520)	304,134
Less promotional allowances	—	(52,213)	—	—	(52,213)
Net revenues	322	251,575	2,544	(2,520)	251,921
Operating expenses:					
Casino	—	39,609	—	—	39,609
Gaming taxes	—	64,406	—	—	64,406
Other operating expenses	11,025	92,172	4,010	(2,520)	104,687
Management fee expense (revenue)	(8,713)	8,713	—	—	—
Depreciation and amortization	580	22,201	152	—	22,933
Total operating expenses	2,892	227,101	4,162	(2,520)	231,635
Operating income (loss)	(2,570)	24,474	(1,618)	—	20,286
Interest expense, net	(7,945)	(15,333)	(43)	—	(23,321)
Other	(1,487)	—	—	—	(1,487)
Equity in income (loss) of subsidiaries	4,834	(645)	—	(4,189)	—
Income (loss) from continuing operations before income taxes	(7,168)	8,496	(1,661)	(4,189)	(4,522)
Income tax (provision) benefit	4,513	(2,868)	222	—	1,867
Income (loss) from continuing operations	(2,655)	5,628	(1,439)	(4,189)	(2,655)
Income (loss) from discontinued operations, net of tax	—	—	—	—	—
Net income (loss)	\$ (2,655)	\$ 5,628	\$ (1,439)	\$ (4,189)	\$ (2,655)

For the Three Months Ended July 26, 2009

	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Statement of Operations					
Revenues:					
Casino	\$ —	\$ 262,263	\$ —	\$ —	\$ 262,263
Pari-mutuel, rooms, food, beverage and other	111	46,425	2,523	(2,503)	46,556
Gross revenues	111	308,688	2,523	(2,503)	308,819
Less promotional allowances	—	(50,905)	—	—	(50,905)
Net revenues	111	257,783	2,523	(2,503)	257,914
Operating expenses:					
Casino	—	39,265	—	—	39,265
Gaming taxes	—	66,304	—	—	66,304
Other operating expenses	11,056	93,632	1,393	(2,503)	103,578
Management fee expense (revenue)	(6,684)	1,684	—	—	—
Depreciation and amortization	1,183	27,491	154	—	28,828
Total operating expenses	5,555	233,376	1,547	(2,503)	237,975
Operating income (loss)	(5,444)	24,407	976	—	19,939
Interest expense, net	(1,711)	(16,115)	(153)	—	(17,979)
Equity in income (loss) of subsidiaries	6,071	(1,133)	—	(4,938)	—
Income (loss) from continuing operations before income taxes	(1,084)	7,159	823	(4,938)	1,960
Income tax (provision) benefit	2,139	(2,842)	(202)	—	(905)
Income (loss) from continuing operations	1,055	4,317	621	(4,938)	1,055
Income (loss) from discontinued operations, net of tax	(150)	(267)	(223)	490	(150)
Net income (loss)	\$ 905	\$ 4,050	\$ 398	\$ (4,448)	\$ 905

Consolidating condensed statements of cash flows for the three months ended July 25, 2010 and July 26, 2009 are as follows (in thousands):

Three Months Ended July 25, 2010					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Statement of Cash Flows					
Net cash provided by (used in) operating activities	\$ (15,500)	\$ 34,460	\$ 8,926	\$ —	\$ 27,886
Net cash provided by (used in) investing activities	(49,468)	(88,293)	(9,654)	48,836	(98,579)
Net cash provided by (used in) financing activities	66,404	57,892	(9,281)	(48,836)	66,179
Effect of foreign currency exchange rates on cash and cash equivalents	—	—	(39)	—	(39)
Net increase (decrease) in cash and cash equivalents	1,436	4,059	(10,048)	—	(4,553)
Cash and cash equivalents at beginning of the period	6,506	46,994	14,569	—	68,069
Cash and cash equivalents at end of the period	\$ 7,942	\$ 51,053	\$ 4,521	\$ —	\$ 63,516

Three Months Ended July 26, 2009					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Statement of Cash Flows					
Net cash provided by (used in) operating activities	\$ (10,482)	\$ 38,974	\$ 9,516	\$ —	\$ 38,008
Net cash provided by (used in) investing activities	42,162	(8,217)	(209)	(42,327)	(8,591)
Net cash provided by (used in) financing activities	(21,099)	(33,898)	(8,647)	42,327	(21,317)
Effect of foreign currency exchange rates on cash and cash equivalents	—	—	30	—	30
Net increase (decrease) in cash and cash equivalents	10,581	(3,141)	690	—	8,130
Cash and cash equivalents at beginning of the period	8,776	68,681	19,197	—	96,654
Cash and cash equivalents at end of the period	\$ 19,357	\$ 65,540	\$ 19,887	\$ —	\$ 104,784

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements that we believe are, or may be considered to be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this report regarding the prospects of our industry or our prospects, plans, financial position or business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as "may," "will," "expect," "intend," "estimate," "foresee," "project," "anticipate," "believe," "plans," "forecasts," "continue" or "could" or the negatives of these terms or variations of them or similar terms. Furthermore, such forward-looking statements may be included in various filings that we make with the SEC or press releases or oral statements made by or with the approval of one of our authorized executive officers. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which reflect management's opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements. You are advised, however, to consult any additional disclosures we make in our reports to the SEC. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report.

For a more complete description of the risks that may affect our business, see our Annual Report on Form 10-K/A for the year ended April 25, 2010.

Executive Overview

We are a leading developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in regional markets in the United States. We have intentionally sought geographic diversity to limit the risks caused by weather, regional economic difficulties and local gaming authorities and regulations. We currently operate casinos in Mississippi, Louisiana, Missouri, Iowa, Colorado and Florida. We also operate a harness racing track at our casino in Florida.

Our operating results for the periods presented have been affected, both positively and negatively, by current economic conditions and several other factors discussed in detail below. Our historical operating results may not be indicative of our future results of operations because of these factors and the changing competitive landscape in each of our markets, as well as by factors discussed elsewhere herein. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K/A for the year ended April 25, 2010 and by giving consideration to the following:

Acquisition of Rainbow Casino - We completed the acquisition of Rainbow Casino-Vicksburg Partnership, L.P. ("Rainbow") located in Vicksburg, Mississippi on June 8, 2010 acquiring 100% of the partnership interests and have included the results of Rainbow in our consolidated financial statements subsequent to June 8, 2010. The acquisition was funded by borrowings from Isle's senior-secured credit facility.

Florida Gaming Law Changes — Effective July 1, 2010, legislative changes became effective in Florida which lowered the state portion of gaming taxes applicable to our Pompano property from 50% to 35% of gaming revenues. Additionally, this legislation allows our poker operations to remain open for the same hours as the slot floor and removes the poker betting limits. Our casino revenues and gaming taxes reflect the favorable impact of these changes in state gaming laws.

Increased Competition — The opening of a new hotel in October 2009 by a competitor in Black Hawk, Colorado has had a negative impact on our Black Hawk Colorado property.

Discontinued Operations — Discontinued operations include the results of our international operations including our former Blue Chip, Grand Bahamas and Coventry casino operations. The sale of our Blue Chip and exit of our Grand Bahamas casino operations were substantially completed during November 2009. Our Coventry casino operations were sold and discontinued during the fourth quarter of fiscal year 2009.

Revenues

Revenues for the three months ended July 25, 2010 and July 26, 2009 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	July 25, 2010	July 26, 2009		
Revenues:				
Casino	\$ 259,162	\$ 262,263	\$ (3,101)	-1.2%
Rooms	10,881	12,261	(1,380)	-11.3%
Pari-mutuel, food, beverage and other	34,091	34,295	(204)	-0.6%
Gross revenues	304,134	308,819	(4,685)	-1.5%
Less promotional allowances	(52,213)	(50,905)	(1,308)	2.6%
Net revenues	\$ 251,921	\$ 257,914	\$ (5,993)	-2.3%

Casino Revenues - Casino revenues decreased \$3.1 million, or 1.2%, for the three months ended July 25, 2010, as compared to the same period in fiscal 2010. For the three months ended July 25, 2010, casino revenues increased \$3.4 million at our Pompano property, \$0.9 million at our Waterloo property and included \$5.3 million from our newly acquired Vicksburg casino. These increases were offset by decreased casino revenues at our Black Hawk and Quad Cities properties of \$6.5 million reflecting the impact of competition and decreases at our other properties of \$6.2 million primarily due to current economic conditions.

Rooms Revenue - Rooms revenue decreased \$1.4 million, or 11.3%, for the three months ended July 25, 2010, as compared to the same period in the prior fiscal year. The majority of this decrease has occurred at our Black Hawk property where we have experienced decline in both room rates and occupancy following the opening of a competitor's new hotel during October 2009.

Pari-mutuel, Food, Beverage and Other Revenues — Pari-mutuel, food, beverage and other revenues decreased \$0.2 million, or 0.6%, for the three months ended July 25, 2010, as compared to the same period in the prior fiscal year. Food, beverage and other revenues for the three months ended July 25, 2010 included \$0.3 million from our newly acquired Vicksburg casino.

Promotional Allowances - Promotional allowances increased \$1.3 million, or 2.6%, for the three months ended July 25, 2010, as compared to the same period in the prior fiscal year. Changes in our promotional allowances reflect revisions to our marketing plans as a result of changes in competition, economic conditions and regulations. Promotional allowances for the three months ended July 25, 2010 included \$1.7 million from our newly acquired Vicksburg casino.

Operating Expenses

Operating expenses for the three months ended July 25, 2010 and July 26, 2009 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	July 25, 2010	July 26, 2009		
Operating expenses:				
Casino	\$ 39,609	\$ 39,265	\$ 344	0.9%
Gaming taxes	64,406	66,304	(1,898)	-2.9%
Rooms	2,769	3,057	(288)	-9.4%
Pari-mutuel, food, beverage, and other	11,168	10,842	326	3.0%
Marine and facilities	14,609	15,646	(1,037)	-6.6%
Marketing and administrative	63,620	64,088	(468)	-0.7%
Corporate and development	12,521	9,945	2,576	25.9%
Depreciation and amortization	22,933	28,828	(5,895)	-20.4%
Total operating expenses	\$ 231,635	\$ 237,975	\$(6,340)	-2.7%

Casino - Casino operating expenses increased \$0.3 million, or 0.9%, for the three months ended July 25, 2010, as compared to the same period in the prior fiscal year. Excluding casino costs of \$0.8 million incurred by our newly acquired Vicksburg casino, our casino operating expenses would have decreased \$0.5 million. This net decrease reflects costs reductions in casino expense at most of our properties offset by a slight increase in casino expenses at our Pompano property following the expansion of gaming hours effective July 1, 2010.

Gaming Taxes - State and local gaming taxes decreased \$1.9 million, or 2.9%, for the three months ended July 25, 2010, as compared to the same period in the prior fiscal year. Reductions in gaming taxes for the three months ended July 25, 2010 reflect the decrease in state gaming taxes at our Pompano facility from 50% to 35% effective July 1, 2010, decreases in our overall gaming revenues and changes in the mix of our gaming revenues derived from states with different gaming tax rates. Gaming taxes for the three months ended July 25, 2010 included \$0.5 million from our newly acquired Vicksburg casino. Our overall effective gaming tax rates were as follows:

Three Months Ended	
July 25, 2010	July 26, 2009
24.9%	25.3%

Rooms - Rooms expense decreased \$0.3 million, or 9.4%, for the three months ended July 25, 2010, as compared to the same period in the prior fiscal year. These expenses directly relate to the cost of providing hotel rooms. This decrease in rooms expense is reflective of an 11.3% reduction in our hotel revenues for the three months ended July 25, 2010, as compared to the same period in the prior fiscal year.

Pari-mutuel, Food, Beverage and Other - Pari-mutuel, food, beverage and other expenses increased \$0.3 million for the three months ended July 25, 2010, as compared to the same period in the prior fiscal year. Excluding food, beverage and other costs of \$0.2 million incurred by our newly acquired Vicksburg casino, our food, beverage and other expenses would have increased \$0.1 million.

Marine and Facilities - Marine and facilities expenses decreased \$1.0 million, or 6.6%, for the three months ended July 25, 2010 as compared to the same period in the prior fiscal year. This decrease includes reductions in facility costs across most properties as we continue to focus on cost reductions efforts. Marine and facility expense for the three months ended July 25, 2010 included \$0.2 million from our newly acquired Vicksburg casino.

Marketing and Administrative - Marketing and administrative expenses decreased \$0.5 million, or 0.7%, for the three months ended July 25, 2010 as compared to the same period in the prior fiscal year. Excluding marketing and administrative costs of \$1.1 million incurred by our newly acquired Vicksburg casino, our casino operating

expenses would have decreased \$1.6 million. This decrease reflects reductions in our operating cost to align such expenditures with changes in our net revenues.

Corporate and Development - During the three months ended July 25, 2010, our corporate and development expenses were \$12.5 million compared to \$9.9 million for the three months ended July 26, 2009. The increase in corporate and development expenses for the three months ended July 25, 2010, reflects approximately \$1.1 million in expenses related to our attempted equity offering and an additional \$1.1 million in acquisition related costs regarding the Rainbow acquisition.

Depreciation and Amortization - Depreciation and amortization expense for the three months ended July 25, 2010 decreased \$5.9 million, as compared to the same period in the prior fiscal year, primarily due to certain assets becoming fully depreciated. Depreciation and amortization for the three months ended July 25, 2010 included \$0.6 million from our newly acquired Vicksburg casino.

Other Income (Expense), Income Taxes, and Discontinued Operations

Interest expense, interest income, income tax (provision) benefit, and income (loss) from discontinued operations, net of income taxes for the three months ended July 25, 2010 and July 26, 2009 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	July 25, 2010	July 26, 2009		
Interest expense	\$ (23,795)	\$ (18,347)	\$ (5,448)	29.7%
Interest income	474	368	106	28.8%
Other	(1,487)	—	(1,487)	N/M
Income tax benefit (provision)	1,867	(905)	2,772	-306.3%
Income (loss) from discontinued operations, net of income taxes	—	(150)	150	-100.0%

Interest Expense - Interest expense increased \$5.4 million for the three months ended July 25, 2010, as compared to the same period in the prior fiscal year. This increase reflects the amendment of our senior credit facility during the fourth quarter of fiscal year 2010 which increased our interest rate on borrowings under the facility and additional interest on borrowings to fund our acquisition of the Vicksburg casino effective June 8, 2010.

Other - This includes expenses related to the change in fair value of our ineffective interest rate swaps. Our interest rate swaps became ineffective following the amendment of our senior secured credit facility during the fourth quarter of fiscal year 2010.

Income Tax Benefit (Provision) - Our income tax benefit (provision) from continuing operations and our effective income tax rate has been impacted our estimate of annual taxable income for financial statement purposes as well as our percentage of permanent and other items in relation to such estimated income or loss. Effective income tax rates were as follows:

	Three Months Ended	
	July 25, 2010	July 26, 2009
Total	41.3%	46.2%

Liquidity and Capital Resources

Cash Flows from Operating Activities - During the three months ended July 25, 2010, we generated \$27.9 million in cash flows from operating activities compared to generating \$38.0 million during the three months ended July 26, 2009. The year-over year decrease in cash flows from operating activities primarily results from decreases in cash operating income.

Cash Flows used in Investing Activities - During the three months ended July 25, 2010, we used \$98.6 million for investing activities compared to using \$8.6 million during the three months ended July 26, 2009. Significant investing activities for the three months ended July 25, 2010 included the purchase of the Rainbow casino in Vicksburg, Mississippi for \$76.2 million, net of cash acquired and purchase price adjustments, purchases of property and equipment of \$12.9 million and increases in restricted cash at our captive insurance company by \$9.5 million to fund insurance reserves in lieu of providing letters of credit.

For the three months ended July 26, 2009, significant investing activities included the purchase of property and equipment for \$4.4 million and payment of \$4.0 million towards our Waterloo gaming license.

Cash Flows used in Financing Activities - During the three months ended July 25, 2010 we had net borrowings under our line of credit of \$68.5 million which included the borrowing of \$80 million to fund our acquisition of the Rainbow casino in Vicksburg, Mississippi. We also used \$2.3 million to repay other outstanding long-term debt.

During the three months ended July 26, 2009, our net cash flows used in financing activities were used primarily to repay our outstanding long term debt of \$21.3 million.

Availability of Cash and Additional Capital - At July 25, 2010, we had cash and cash equivalents of \$63.5 million and marketable securities of \$23.7 million. As of July 25, 2010, we had \$90 million in revolving credit and \$815.2 million in term loans outstanding under the senior secured credit facility. Our line of credit availability at July 25, 2010 was approximately \$126 million as limited by our leverage ratio.

Capital Expenditures and Development Activities - Historically, we have made significant investments in property and equipment and expect that our operations will continue to demand ongoing investments to keep our properties competitive. Our current planned capital expenditures include \$35 million in maintenance capital expenditures for the balance of fiscal year 2011.

Historically, we have funded our daily operations through net cash provided by operating activities and our significant capital expenditures through operating cash flow and debt financing. While we believe that existing cash, cash flow from operations, and available borrowings under our senior secured credit facility will be sufficient to support our working capital needs, planned capital expenditures and debt service requirements for the foreseeable future, there is no assurance that these sources will in fact provide adequate funding for our planned and necessary expenditures or that our planned reduced levels of capital investments will be sufficient to allow us to remain competitive in our existing markets.

We have entered into an agreement to provide management services for a potential casino to be located at the Nemacolin Woodlands Resort in Farmington, Pennsylvania, ("the Resort"). The development of this casino is subject to numerous regulatory approvals including obtaining a state gaming license, which is a competitive award process among several applicants. If the Resort is successful in obtaining a gaming license, we have agreed to complete the build-out of the casino space. We currently estimate the project cost at approximately \$50 million.

We have filed an application with the Missouri Gaming Commission to develop a casino in Cape Girardeau, Missouri and have entered into a development agreement with the City of Cape Girardeau that would take effect if we are selected for licensure by the State of Missouri and other contingencies in the development agreement are met. We currently estimate the cost of the project at approximately \$125,000.

We have identified several capital projects primarily focused on refreshing our hotel room inventory as well as additional improvements to our Black Hawk and Lake Charles properties, and further Lady Luck conversions. The timing and amount of these capital expenditures will be determined as we gain more clarity as to improvement of economic and local market conditions, cash flows from our continuing operations and availability of cash under our senior secured credit facility.

We are highly leveraged and may be unable to obtain additional debt or equity financing on acceptable terms if our current sources of liquidity are not sufficient or if we fail to stay in compliance with the covenants of our senior secured credit facility. We will continue to evaluate our planned capital expenditures at each of our existing locations in light of the operating performance of the facilities at such locations.

As part of our business development activities, historically we have entered into agreements which have resulted in the acquisition or development of businesses or assets. These business development efforts and related agreements typically require the expenditure of cash, which may be significant. The amount and timing of our cash expenditures relating to development activities may vary based upon our evaluation of current and future development opportunities, our financial condition and the condition of the financing markets. Our development activities are subject to a variety of factors including but not limited to obtaining permits, licenses and approvals from appropriate regulatory and other agencies, legislative changes and, in certain circumstances, negotiating acceptable leases.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles that require our management to make estimates and assumptions that affect reported amounts and related disclosures. Management identifies critical accounting estimates as:

- those that require the use of assumptions about matters that are inherently and highly uncertain at the time the estimates are made;
- those estimates where, had we chosen different estimates or assumptions, the resulting differences would have had a material impact on our financial condition, changes in financial condition or results of operations; and
- those estimates that, if they were to change from period to period, likely would result in a material impact on our financial condition, changes in financial condition or results of operations.

For a discussion of our significant accounting policies and estimates, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements presented in our 2010 Annual Report on Form 10-K/A. There were no newly identified significant accounting estimates in the first quarter of fiscal year 2011, nor were there any material changes to the critical accounting policies and estimates set forth in our 2010 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, including interest rates, foreign currency exchange rates, commodity prices and equity prices. Our primary exposure to market risk is interest rate risk associated with our Isle of Capri Casinos, Inc. senior secured credit facility ("Credit Facility").

We have entered into interest rate swap and cap arrangements with aggregate notional value of \$420.0 million as of July 25, 2010. The swap agreements effectively convert portions of the Credit Facility variable debt to a fixed-rate basis until the respective swap agreements terminate, which occurs during fiscal years 2011, 2012 and 2014.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on the evaluation, management has concluded that the design and operation of our disclosure controls and procedures are effective as of July 25, 2010.

Because of its inherent limitations, systems of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal controls over financial reporting during the fiscal quarter ended July 25, 2010, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A reference is made to the information contained in Footnote 11 of our unaudited condensed consolidated financial statements included herein, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There are no material changes to the disclosure regarding risk factors presented in our Annual Report on Form 10-K/A for the fiscal year ended April 25, 2010.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We have purchased our common stock under stock repurchase programs. These programs allow for the repurchase of up to 6,000,000 shares. To date, we have purchased 4,895,792 shares of our common stock under these programs. These programs have no approved dollar amount, nor expiration dates. No purchases were made during the three months ended July 25, 2010.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS SUBJECT TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See the Index to Exhibits following the signature page hereto for a list of the exhibits filed pursuant to Item 601 of Regulation S-K.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ISLE OF CAPRI CASINOS, INC.

Dated: September 2, 2010

/s/ DALE R. BLACK

Dale R. Black
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Authorized Officer)

**EXHIBIT
NUMBER****DESCRIPTION**

31.1	Certification of Chief Executive Officer pursuant to Rule 13a—14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a—14(a) under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, James B. Perry, Chief Executive Officer of Isle of Capri Casinos, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Isle of Capri Casinos, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 2, 2010

/s/ James B. Perry

James B. Perry
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Dale R. Black, Chief Financial Officer of Isle of Capri Casinos, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Isle of Capri Casinos, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 2, 2010

/s/ Dale R. Black

Dale R. Black

Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Isle of Capri Casinos, Inc. (the "Company") on Form 10-Q for the period ended July 25, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, James B. Perry, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 2, 2010

/s/ James B. Perry
James B. Perry
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Isle of Capri Casinos, Inc. (the "Company") on Form 10-Q for the period ended July 25, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Dale R. Black, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 2, 2010

/s/ Dale R. Black

Dale R. Black

Chief Financial Officer

ISLE OF CAPRI CASINOS INC (ISLE)

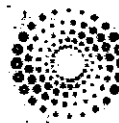
10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filed on 12/03/2010

Filed Period 10/24/2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)



OR AFTER A REPORT IS FILED TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 24, 2010

OR



TRANSITION REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-20538

ISLE OF CAPRI CASINOS, INC.

Delaware
(State or other jurisdiction of
incorporation or organization)

41-1659606
(I.R.S. Employer
Identification Number)

600 Emerson Road, Suite 300, Saint Louis, Missouri
(Address of principal executive offices)

63141
(Zip Code)

Registrant's telephone number, including area code: (314) 813-9200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of December 1, 2010, the Company had a total of 32,938,016 shares of Common Stock outstanding (which excludes 3,843,358 shares held by us in treasury).

PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ISLE OF CAPRI CASINOS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	October 24, 2010 (unaudited)	April 25, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64,133	\$ 68,069
Marketable securities	23,014	22,926
Accounts receivable, net	7,766	8,879
Income taxes receivable	8,850	8,109
Deferred income taxes	16,826	16,826
Prepaid expenses and other assets	30,749	25,095
Total current assets	151,338	149,904
Property and equipment, net	1,122,523	1,098,942
Other assets:		
Goodwill	345,303	313,136
Other intangible assets, net	84,631	79,675
Deferred financing costs, net	8,712	10,354
Restricted cash	12,806	2,774
Prepaid deposits and other	16,826	20,055
Total assets	\$1,742,139	\$1,674,840
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 8,766	\$ 8,754
Accounts payable	24,495	24,072
Accrued liabilities:		
Interest	8,113	14,779
Payroll and related	43,939	45,863
Property and other taxes	25,508	20,253
Other	49,266	43,434
Total current liabilities	160,087	157,155
Long-term debt, less current maturities	1,251,158	1,192,135
Deferred income taxes	28,291	29,193
Other accrued liabilities	40,431	38,972
Other long-term liabilities	16,833	17,166
Stockholders' equity:		
Preferred stock, \$0.01 par value; 2,000,000 shares authorized; none issued		
Common stock, \$0.01 par value; 60,000,000 shares authorized; shares issued: 36,781,374 shares at October 24, 2010 and 36,771,730 shares at April 25, 2010	368	367
Glass B common stock, \$0.01 par value; 3,000,000 shares authorized; none issued		
Additional paid-in capital	200,117	201,464
Retained earnings	94,881	98,555
Accumulated other comprehensive (loss) income	(3,736)	(8,060)
Treasury stock, 3,843,358 shares at October 24, 2010 and 4,326,242 shares at April 25, 2010	(46,291)	(52,107)
Total stockholders' equity	245,339	240,219
Total liabilities and stockholders' equity	\$1,742,139	\$1,674,840

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	October 24, 2010	October 25, 2009	October 24, 2010	October 25, 2009
Revenues:				
Casino	\$ 254,640	\$ 251,173	\$ 513,802	\$ 513,436
Rooms	10,643	11,803	21,524	24,064
Pari-mutuel, food, beverage and other	33,997	33,286	68,088	67,581
Gross revenues	299,280	296,262	603,414	605,081
Less promotional allowances	(52,629)	(50,207)	(104,842)	(101,112)
Net revenues	246,651	246,055	498,572	503,969
Operating expenses:				
Casino	39,979	39,651	79,588	78,916
Gaming taxes	60,214	64,223	124,620	130,527
Rooms	2,725	2,824	5,494	5,881
Pari-mutuel, food, beverage and other	11,123	11,243	22,291	22,085
Marine and facilities	15,347	16,110	29,956	31,756
Marketing and administrative	63,808	64,167	127,428	128,255
Corporate and development	10,940	12,340	23,461	22,285
Expense recoveries and other charges, net	—	(6,762)	—	(6,762)
Depreciation and amortization	22,179	28,437	45,112	57,265
Total operating expenses	226,315	232,233	457,950	470,208
Operating income	20,336	13,822	40,622	33,761
Interest expense	(23,410)	(17,883)	(47,205)	(36,230)
Interest income	467	395	941	763
Derivative income (expense)	(743)	—	(2,230)	—
Income (loss) from continuing operations before income taxes	(3,350)	(3,666)	(7,872)	(1,706)
Income tax benefit	41,557	6,039	13,404	15,134
Income (loss) from continuing operations	(1,813)	2,373	(4,468)	3,428
Income (loss) from discontinued operations, net of income taxes	794	(811)	794	(961)
Net income (loss)	\$ (1,019)	\$ 1,562	\$ (3,674)	\$ 2,467
Income (loss) per common share-basic and dilutive:				
Income (loss) from continuing operations	\$ (0.06)	\$ 0.07	\$ (0.14)	\$ 0.11
Income (loss) from discontinued operations, net of income taxes	0.03	(0.02)	0.03	(0.03)
Net income (loss)	\$ (0.03)	\$ 0.05	\$ (0.11)	\$ 0.08
Weighted average basic shares	32,783,726	32,319,789	32,615,815	32,049,444
Weighted average diluted shares	32,783,726	32,511,462	32,615,815	32,251,102

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI-CASINOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
(Unaudited)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accum. Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, April 25, 2010	36,771,730	\$ 367	\$ 201,464	\$ 98,555	\$ (8,060)	\$ (52,107)	\$ 240,219
Net loss				(3,674)			(3,674)
Deferred hedge adjustment, net of income tax provision of \$2,652					4,441		4,441
Unrealized loss on interest rate cap contracts net of income tax benefit of \$16					(26)		(26)
Foreign currency translation adjustments					(91)		(91)
Comprehensive income							650
Issuance of restricted stock from treasury stock				(5,816)		5,816	
Forfeiture of restricted stock				(2,497)			(2,497)
Exercise of stock options		500					500
Issuance of deferred bonus shares		11,641	1				11,642
Stock compensation expense				4,466			4,466
Balance, October 24, 2010	36,781,374	\$ 368	\$ 200,117	\$ 94,881	\$ (3,736)	\$ (46,291)	\$ 245,339

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	October 24, 2010	October 25, 2009
Operating activities:		
Net income (loss)	\$ (3,674)	\$ 2,467
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	45,112	57,266
Amortization of deferred financing costs	1,642	1,164
Expense recoveries and other charges, net	—	(6,762)
Deferred income taxes	(3,537)	292
Stock compensation expense	4,466	4,108
Deferred compensation expense	—	748
Loss on derivative instruments	2,230	—
(Gain) loss on disposal of assets	(202)	61
Changes in operating assets and liabilities, net of acquisition:		
Purchases of trading securities	(88)	(1,076)
Accounts receivable	1,124	3,083
Income tax receivable	(741)	5,432
Prepaid expenses and other assets	(2,065)	(7,413)
Accounts payable and accrued liabilities	4,465	2,053
Net cash provided by operating activities	48,732	60,723
Investing activities:		
Purchase of property and equipment	(25,720)	(15,269)
Net cash paid for acquisition, net of cash acquired	(76,167)	—
Payments towards gaming license	—	(4,000)
(Decrease) increase in restricted cash	(9,766)	189
Net cash used in investing activities	(111,653)	(19,080)
Financing activities:		
Principal payments on debt	(4,464)	(4,454)
Net borrowings (repayments) on line of credit	63,500	(58,000)
Proceeds from exercise of stock options	3	178
Net cash provided by (used in) financing activities	59,039	(62,276)
Effect of foreign currency exchange rates on cash	(54)	35
Net decrease in cash and cash equivalents	(3,936)	(20,598)
Cash and cash equivalents, beginning of period	68,069	96,654
Cash and cash equivalents, end of the period	\$ 64,133	\$ 76,056

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
Notes to Condensed Consolidated Financial Statements
(amounts in thousands, except share and per share amounts)
(Unaudited)

1. Nature of Operations

Isle of Capri Casinos, Inc., a Delaware corporation, was incorporated in February 1990. Except where otherwise noted, the words "we," "us," "our" and similar terms, as well as "Company," refer to Isle of Capri Casinos, Inc. and all of its subsidiaries. We are a leading developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in markets throughout the United States. Our wholly owned subsidiaries own and operate fourteen casino gaming facilities in the United States located in Black Hawk, Colorado; Lake Charles, Louisiana; Lula, Biloxi, Natchez and Vicksburg, Mississippi; Kansas City, Caruthersville and Boonville, Missouri; Bettendorf, Davenport, Waterloo and Marquette, Iowa; and Pompano Beach, Florida.

2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and in accordance with accounting principles generally accepted in the United States of America for interim financial reporting. Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted. The accompanying interim consolidated financial statements have been prepared without audit. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. Certain reclassifications of prior year presentations have been made to conform to the fiscal 2011 presentation. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K/A for the year ended April 25, 2010 as filed with the SEC and all of our other filings, including Current Reports on Form 8-K, filed with the SEC after such date and through the date of this report, which are available on the SEC's website at www.sec.gov or our website at www.islecorp.com.

Our fiscal year ends on the last Sunday in April. Periodically, this system necessitates a 53-week year. Fiscal 2011 and 2010 are both 52-week years, which commenced on April 26, 2010 and April 27, 2009, respectively.

Discontinued operations include our former Blue Chip casinos in Dudley and Wolverhampton, England, sold in November 2009, our former casino in Freeport, Grand Bahamas, exited in November 2009 and our former casino in Coventry, England sold in fiscal year 2009. The results of our discontinued operations for the three and six months ended October 24, 2010 and October 25, 2009, are summarized as follows:

	Three Months Ended		Six Months Ended	
	October 24, 2010	October 25, 2009	October 24, 2010	October 25, 2009
Net revenues	\$ 2,724	\$ 2,724	\$ 6,298	\$ 6,298
Pretax loss from discontinued operations	—	(1,363)	—	(1,583)
Income tax benefit from discontinued operations	794	552	794	562
Income (loss) from discontinued operations	794	(811)	794	(961)

During the three months ended October 24, 2010, we recorded a tax benefit in discontinued operations related to the resolution of previously unrecognized tax positions related to our former UK operations (See Note 10).

The condensed consolidated financial statements include our accounts and those of our subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior period financial statements to conform to the current period presentation. We view each property as an operating segment and all operating segments have been aggregated into one reporting segment.

We evaluated all subsequent events through the date of the consolidated financial statements and have disclosed such subsequent events in the notes to the condensed consolidated financial statements. No material subsequent events have occurred that required recognition in the condensed consolidated financial statements.

3. Acquisition

We completed the acquisition of Rainbow Casino-Vicksburg Partnership, L.P. ("Rainbow") located in Vicksburg, Mississippi on June 8, 2010 acquiring 100% of the partnership interests and have included the results of Rainbow in our consolidated financial statements subsequent to June 8, 2010. The purchase price was \$76.2 million, which is net of cash acquired and purchase price adjustments. The preliminary allocation of the purchase price for these partnership interests was determined based upon estimates of future cash flows and evaluations of the net assets acquired. The transaction was accounted for using the acquisition method in accordance with the accounting guidance under Accounting Standards Codification Topic 805, *Business Combinations*. As a result, the net assets of Rainbow were recorded at their estimated fair value with the excess of the purchase price over the fair value of the net assets acquired allocated to goodwill. The acquisition was funded by borrowings from Isle's senior secured credit facility. The purchase price allocation remains preliminary as management is in process of obtaining third party valuations to assist in its determination of fair value for property and equipment, and intangible assets acquired.

Goodwill – A rollforward of goodwill is as follows:

Balance April 25, 2010	\$ 313,136
Addition from Rainbow acquisition	32,167
Balance October 24, 2010	\$ 345,303

The pro forma results of operations, as if the acquisition of Rainbow had occurred on the first day of each fiscal year, are as follows:

	Three Months Ended		Six Months Ended	
	October 24, 2010	October 25, 2009	October 24, 2010	October 25, 2009
Pro forma				
Net Revenues	\$ 246,651	\$ 254,384	\$ 502,388	\$ 521,324
Income (loss) from continuing operations before income taxes	(3,350)	(2,789)	(7,757)	678
Net income (loss) from continuing operations	(1,813)	1,962	(4,396)	3,960
Basic earnings (loss) per share from continuing operations	(0.06)	0.06	(0.13)	0.12
Diluted earnings (loss) per share from continuing operations	(0.06)	0.06	(0.13)	0.12

4. Long-Term Debt

Long-term debt consists of the following:

	October 24, 2010	April 25, 2010
Senior Secured Credit Facility		
Revolving line of credit, expires July 26, 2012, interest payable at least quarterly at either LIBOR and/or prime plus a margin	\$ 85,000	\$ 21,500
Variable rate term loans, mature November 25, 2013, principal and interest payments due quarterly at either LIBOR and/or prime plus a margin	\$813,059	\$817,256
7% Senior Subordinated Notes , interest payable semi-annually, March 1 and September 1	\$357,275	\$357,275
Other	4,590	4,858
	\$1,259,924	\$1,200,889
Less current maturities	8,766	8,754
Long-term debt	\$1,251,158	\$1,192,135

Credit Facility - The Credit Facility as amended ("Credit Facility") consists of a \$375,000 revolving line of credit and an \$875,000 term loan facility. The Credit Facility is secured on a first priority basis by substantially all of our assets and guaranteed by all of our significant subsidiaries.

Our net line of credit availability at October 24, 2010 as limited by our maximum leverage covenant was approximately \$106,000. We have an annual commitment fee related to the unused portion of the Credit Facility of up to 0.75% which is included in interest expense in the accompanying consolidated statements of operations. The weighted average effective interest rate of the Credit Facility for the six months ended October 24, 2010 was 6.77%.

The Credit Facility includes a number of affirmative and negative covenants. Additionally, we must comply with certain financial covenants including maintenance of a leverage ratio and minimum interest coverage ratio. The Credit Facility also restricts our ability to make certain investments or distributions. We were in compliance with the covenants as of October 24, 2010.

7% Senior Subordinated Notes - Our 7% Senior Subordinated Notes are due 2014 ("7% Senior Subordinated Notes") and are guaranteed, on a joint and several basis, by all of our significant subsidiaries and certain other subsidiaries as described in Note 13. All of the guarantor subsidiaries are wholly owned by us. The 7% Senior Subordinated Notes are general unsecured obligations and rank junior to all of our senior indebtedness. The 7% Senior Subordinated Notes are redeemable, in whole or in part, at our option at any time, with call premiums as defined in the indenture governing the 7% Senior Subordinated Notes.

The indenture governing the 7% Senior Subordinated Notes limits, among other things, our ability and our restricted subsidiaries' ability to borrow money, make restricted payments, use assets as security in other transactions, enter into transactions with affiliates or pay dividends on or repurchase stock. The indenture also limits our ability to issue and sell capital stock of subsidiaries, sell assets in excess of specified amounts or merge with or into other companies.

5. Common Stock

Earnings per Share of Common Stock - The following table sets forth the computation of basic and diluted income (loss) per share:

	Three Months Ended		Six Months Ended	
	October 24, 2010	October 25, 2009	October 24, 2010	October 25, 2009
Numerator:				
Income (loss) applicable to common shares:				
Income (loss) from continuing operations	\$ (1,813)	\$ 2,373	\$ (4,468)	\$ 3,428
Income (loss) from discontinued operations	794	(811)	794	(961)
Net income (loss)	\$ (1,019)	\$ 1,562	\$ (3,674)	\$ 2,467
Denominator:				
Denominator for basic earnings (loss) per share - weighted average shares	32,783,726	32,319,789	32,615,815	32,049,444
Effect of dilutive securities Employee stock options	—	191,673	—	201,658
Denominator for diluted loss per share - adjusted weighted average shares and assumed conversions	32,783,726	32,511,462	32,615,815	32,251,102
Basic earnings (loss) per share:				
Income (loss) from continuing operations	\$ (0.06)	\$ 0.07	\$ (0.14)	\$ 0.11
Loss from discontinued operations	0.03	(0.02)	0.03	(0.03)
Net income (loss)	\$ (0.03)	\$ 0.05	\$ (0.11)	\$ 0.08
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	\$ (0.06)	\$ 0.07	\$ (0.14)	\$ 0.11
Loss from discontinued operations	0.03	(0.02)	0.03	(0.03)
Net income (loss)	\$ (0.03)	\$ 0.05	\$ (0.11)	\$ 0.08

Our basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of shares outstanding for the period. Due to the loss from continuing operations, stock options representing 56,350 and 78,908 shares, which are potentially dilutive, and 1,075,210 and 975,210 shares which are anti-dilutive, were excluded from the calculation of common shares for diluted (loss) per share for the three and six months ended October 24, 2010, respectively. Stock options representing 544,604 and 523,175 shares which were anti-dilutive were excluded from the calculation of common shares for diluted income per share for the three and six month periods ended October 25, 2009, respectively.

Stock Based Compensation — Under our amended and restated 2009 Long Term Incentive Plan we have issued stock options and restricted stock.

Restricted Stock — During the three months ended October 24, 2010, we issued 306,247 shares of restricted stock with a weighted average grant-date fair value of \$8.72 to employees and 191,126 shares of restricted stock with a weighted average grant-date fair value of \$7.54 to directors under the Long Term Incentive Plan. Restricted stock awarded to employees under annual long-term incentive grants vests one-third on each anniversary of the grant date and for directors vests one-half on the grant date and one-half on the first anniversary of the grant date. Restricted stock previously awarded under our tender offer vests three years from the date of award. Our estimate of forfeitures for restricted stock for employees is 10%. No forfeiture rate is estimated for directors. As of October 24, 2010, our unrecognized compensation cost for unvested restricted stock is \$6,254 with a remaining weighted average vesting period of 1.3 years.

Stock Options - We have issued incentive stock options and nonqualified stock options which have a maximum term of 10 years and are, generally, vested and exercisable in yearly installments of 20% commencing one year after the date of grant. We currently estimate our aggregate forfeiture rates at 12%. As of October 24, 2010, our unrecognized compensation cost for unvested stock options was \$975 with a weighted average vesting period of 2.6 years.

6. Expense Recoveries and Other Charges, net

During the three months ended October 25, 2009, we recorded an expense recovery of \$6,762 representing the discounted value of a receivable for reimbursement of development costs expended in prior periods relating to a terminated plan to develop a casino in Pittsburgh, Pennsylvania. This receivable was recorded following a revised assessment of collectability.

7. Interest Rate Derivatives

We have entered into various interest rate derivative agreements in order to manage market risk on variable rate term loans outstanding, as well as comply with requirements under the Credit Facility. We have interest rate swap agreements with an aggregate notional value of \$200,000 with maturity dates through fiscal 2014. We have also entered into interest rate cap contracts with an aggregate notional value of \$120,000 having maturity dates in fiscal 2012 and 2013 and paid premiums of \$156 at inception.

As a result of the amendment to our Credit Facility in the fourth quarter of fiscal 2010, our interest rate swaps no longer meet the criteria for hedge effectiveness, and therefore changes in the fair value of the swaps subsequent to the date of ineffectiveness in February 2010, are recorded in derivative income (expense) in the consolidated statement of operations. Prior to their ineffectiveness, changes in the fair value of these interest rate swaps were adjusted through other comprehensive income (loss) as these derivative instruments qualified for hedge accounting. The cumulative loss recorded in other comprehensive income (loss) through the date of ineffectiveness will be amortized into derivative expense over the remaining term of the individual interest rate swap agreements or when the underlying transaction is no longer expected to occur. As of October 24, 2010, the weighted average fixed LIBOR interest rate of our interest rate swap agreements was 4.45%.

The interest rate cap agreements meet the criteria for hedge accounting for cash flow hedges and have been evaluated, as of October 24, 2010 as being fully effective. As a result, there is no impact on our consolidated statement of operations from changes in fair value of the interest rate cap agreements.

The loss recorded in other comprehensive income (loss) of our interest rate swap contracts is recorded net of deferred income tax benefits of \$2,052 and \$4,704, as of October 24, 2010 and April 25, 2010, respectively. The loss recorded in other comprehensive income (loss) for our interest rate cap contracts is recorded net of deferred income tax benefits of \$46 and \$30 as of October 24, 2010 and April 25, 2010, respectively.

The fair values of derivatives included in our consolidated balance sheet are as follows:

Type of Derivative Instrument	Balance Sheet Location	October 24, 2010	April 25, 2010
Interest rate cap contracts	Prepaid deposits and other	\$ 28	\$ 24
Interest rate swap contracts	Accrued interest	810	6,704
Interest rate swap contracts	Other long-term liabilities	7,278	6,247

We recorded income of \$2,439 and \$4,863 in derivative income (expense) related to the change in fair value of interest rate swap contracts during the three and six months ended October 24, 2010, respectively.

Additionally, during the three and six months ended October 24, 2010, we recorded expense of \$3,182 and \$7,093, respectively, in derivative income (expense) associated with the amortization of \$1,992, net of taxes of \$1,190 and \$4,441, net of taxes of \$2,652, of cumulative loss recorded in other comprehensive income (loss) for the interest rate swaps through the date of their ineffectiveness.

The change in unrealized gain (loss) on our derivatives qualifying for hedge accounting was \$25 and \$4 for the three and six months ended October 24, 2010, respectively. The change in unrealized gain (loss) on our derivatives qualifying for hedge accounting was \$2,461 and \$4,759 for the three and six months ended October 25, 2009, respectively.

The amount of accumulated other comprehensive income (loss) related to interest rate swap contracts and interest rate cap contracts maturing within the next twelve months was \$2,177, net of tax of \$1,301, as of October 24, 2010.

8. Fair Value

The fair value of our interest swap and cap contracts are recorded at fair value using Level 3 inputs at the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation.

The following table presents the changes in Level 3 liabilities measured at fair value on a recurring basis for the three and six months ended October 24, 2010:

Interest Rate Derivatives	October 24, 2010	
	Three Months Ended	Six Months Ended
Beginning Balance	\$ (10,524)	\$ (12,927)
Realized gains/(losses)	2,439	4,863
Unrealized gains/(losses)	25	4
Balance at October 24, 2010	\$ (8,060)	\$ (8,060)

Financial Instruments - The estimated carrying amounts and fair values of our other financial instruments are as follows:

	October 24, 2010		April 25, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 64,133	\$ 64,133	\$ 68,069	\$ 68,069
Marketable securities	23,014	23,014	22,926	22,296
Restricted cash	12,806	12,806	2,774	2,774
Notes receivable	7,515	7,515	8,510	8,510
Financial liabilities:				
Revolving line of credit	\$ 85,000	\$ 80,750	\$ 21,500	\$ 20,855
Variable rate term loans	813,059	792,733	817,256	800,911
7% Senior subordinated notes	357,275	334,088	357,275	326,013
Other long-term debt	4,590	4,590	4,858	4,858
Other long-term obligations	16,833	16,833	17,166	17,166

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents, restricted cash and notes receivable are carried at cost, which approximates fair value due to their short-term maturities.

Marketable securities are based upon Level 1 inputs obtained from quoted prices available in active markets and represent the amounts we would expect to receive if we sold these marketable securities.

The fair value of our long-term debt or other long-term obligations is estimated based on the quoted market price of the underlying debt issue or, when a quoted market price is not available, the discounted cash flow of future payments utilizing

current rates available to us for debt of similar remaining maturities. Debt obligations with a short remaining maturity have a carrying amount that approximates fair value.

9. Accumulated Other Comprehensive Income (Loss)

A detail of Accumulated other comprehensive income (loss) is as follows:

	October 24, 2010	April 25, 2010
Interest rate cap contracts	\$ (76)	\$ (50)
Interest rate swap contracts	(3,436)	(7,877)
Foreign currency translation loss	(224)	(133)
	<u>\$ (3,736)</u>	<u>\$ (8,060)</u>

The amount of change in the gain (loss) recognized in accumulated other comprehensive income (loss) related to derivative instruments is as follows:

Type of Derivative Instrument	Three Months Ended		Six Months Ended	
	October 24, 2010	October 25, 2009	October 24, 2010	October 25, 2009
Interest rate cap contracts	\$ (13)	\$ (26)	\$ (26)	\$ (26)
Interest rate swap contracts	1,992	1,540	4,441	2,977
	<u>\$ 1,979</u>	<u>\$ 1,540</u>	<u>\$ 4,415</u>	<u>\$ 2,977</u>

10. Income Taxes

During fiscal 2010, the IRS completed its examination of our federal income tax returns which relate to our fiscal years 2007 and 2008. The income tax examination changes were subject to review by the U.S. Congress Joint Committee on Taxation and on August 20, 2010 we received notification that the review had been completed with no exception to the examination. As a result, during the three months ended October 24, 2010, we recognized a tax benefit in discontinued operations of \$794 related to the resolution of previously unrecognized tax positions related to our former UK operations.

Related to our uncertain tax positions, we accrued interest expense of \$84 and \$241, respectively, for the three and six months ended October 24, 2010 as a component of our income tax benefit. As of October 24, 2010, we have recognized a liability of \$3,067 for interest and no amount for penalties.

During the quarter ended October 25, 2009, we settled Louisiana income tax examinations covering fiscal years ended April 2001 through April 2008. As a result of the actual taxes and interest due for these years being less than our previously accrued amounts, we recognized a benefit of \$4,247 in our income tax provision during the three and six months ended October 25, 2009.

Our effective income tax rates from continuing operations for the three and six months ended October 24, 2010 were 45.9% and 43.2%, respectively. Our effective income tax rates from continuing operations for the three and six months ended October 25, 2009 were 164.7% and 301.1%, respectively. Without the impact of the settlement of certain Louisiana income tax matters during the three months ended October 25, 2009, our effective income tax rates for three and six months ended October 25, 2009, would have been 35.8% and 23.9%, respectively. Our actual effective rate will fluctuate based upon the amount of our pretax book income, permanent differences and other items used in the calculation of our income tax benefit.

11. Supplemental Cash Flow Disclosures

For the six months ended October 24, 2010 and October 25, 2009, we made net cash interest payments of \$46,372 and \$35,488, respectively. Additionally, we received income tax refunds of \$71 and \$4,480 during the six months ended October 24, 2010 and October 25, 2009, respectively.

In fiscal year 2006, we obtained a gaming license for our Waterloo, Iowa property and recorded an intangible asset of \$18,547. Annual payments for the license are recorded on a yearly basis and for the six months ended October 25, 2009, we made payments of \$4,000 towards the gaming license.

For the six months ended October 24, 2010 and October 25, 2009, the change in accrued purchases of property and equipment in accounts payable increased by \$2,231 and \$91, respectively.

12. Contingencies and Commitments

Legal and Regulatory Proceedings—Lady Luck Gaming Corporation (now our wholly owned subsidiary) and several joint venture partners have been defendants in the Greek Civil Courts and the Greek Administrative Courts in similar lawsuits brought by the country of Greece. The actions allege that the defendants failed to make specified payments in connection with the gaming license bid process for Patras, Greece. Although it is difficult to determine the damages being sought from the lawsuits, the action may seek damages up to that aggregate amount plus interest from the date of the action.

In the Civil Court lawsuit, the Civil Court of First Instance ruled in our favor and dismissed the lawsuit in 2001. Greece appealed to the Civil Appeal Court and, in 2003, the Court rejected the appeal. Greece then appealed to the Civil Supreme Court and, in 2007, the Supreme Court ruled that the matter was not properly before the Civil Courts and should be before the Administrative Court.

In the Administrative Court lawsuit, the Administrative Court of First Instance rejected the lawsuit stating that it was not competent to hear the matter. Greece then appealed to the Administrative Appeal Court, which court rejected the appeal in 2003. Greece then appealed to the Supreme Administrative Court, which remanded the matter back to the Administrative Appeal Court for a hearing on the merits. The re-hearing took place in 2006, and in 2008 the Administrative Appeal Court rejected Greece's appeal on procedural grounds. On December 22, 2008 and January 23, 2009, Greece appealed the ruling to the Supreme Administrative Court. A hearing has tentatively been scheduled for April 2011.

The outcome of this matter is still in doubt and cannot be predicted with any degree of certainty. We intend to continue a vigorous and appropriate defense to the claims asserted in this matter. Through October 24, 2010, we have accrued an estimated liability including interest of \$11,189. Our accrual is based upon management's estimate of the original claim by the plaintiffs for lost payments. We continue to accrue interest on the asserted claim. We are unable to estimate a total possible loss as information as to possible additional claims, if any, have not been asserted or quantified by the plaintiffs at this time.

During January, 2010, we entered into an agreement to provide management services for a potential casino to be located at the Nemacolin Woodlands Resort in Farmington, Pennsylvania, ("The Resort"). The development of this casino is subject to numerous regulatory approvals including obtaining a state gaming license, which is a competitive award process among several applicants. If The Resort is successful in obtaining a gaming license, we have agreed to complete the build-out of the casino space. We currently estimate the project cost at approximately \$50,000.

On December 1, 2010, our proposed casino in Cape Girardeau, Missouri was selected by the Missouri Gaming Commission for prioritization for the 13th and final gaming license in the State of Missouri. We had previously entered into a development agreement with the City of Cape Girardeau. The project is expected to include 1,000 slot machines, 28 table games, 3 restaurants, a lounge and terrace overlooking the Mississippi River and a 750-seat event center. We currently estimate the cost of the project at approximately \$125,000 with an anticipated opening date by the end of calendar 2012.

We are subject to certain federal, state and local environmental protection, health and safety laws, regulations and ordinances that apply to businesses generally, and are subject to cleanup requirements at certain of our facilities as a result thereof. We have not made, and do not anticipate making material expenditures, nor do we anticipate incurring delays with respect to environmental remediation or protection. However, in part because our present and future development sites have, in some cases, been used as manufacturing facilities or other facilities that generate materials that are required to be

remediated under environmental laws and regulations, there can be no guarantee that additional pre-existing conditions will not be discovered and we will not experience material liabilities or delays.

We are subject to various contingencies and litigation matters and have a number of unresolved claims. Although the ultimate liability of these contingencies, this litigation and these claims cannot be determined at this time, we believe they will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

13. Consolidating Condensed Financial Information

Certain of our wholly owned subsidiaries have fully and unconditionally guaranteed on a joint and several basis, the payment of all obligations under our 7% Senior Subordinated Notes.

The following wholly owned subsidiaries of the Company are guarantors, on a joint and several basis, under the 7% Senior Subordinated Notes: Black Hawk Holdings, L.L.C.; Casino America of Colorado, Inc.; CCSC/Blackhawk, Inc.; Grand Palais Riverboat, Inc.; IC Holdings Colorado, Inc.; IOC-Black Hawk Distribution Company, L.L.C.; IOC-Boonville, Inc.; IOC-Caruthersville, L.L.C.; IOC-Kansas City, Inc.; IOC-Lula, Inc.; IOC-Natchez, Inc.; IOC-Black Hawk County, Inc.; IOC-Davenport, Inc.; IOC Holdings, L.L.C.; IOC Services, L.L.C.; IOC-Vicksburg, Inc.; IOC-Vicksburg, LLC; Rainbow Casino Vicksburg Partnership, L.P.; Isle of Capri Bahamas Holdings, Inc.; Isle of Capri Bettendorf Marina Corporation; Isle of Capri Bettendorf, L.C.; Isle of Capri Black Hawk Capital Corp.; Isle of Capri Black Hawk, L.L.C.; Isle of Capri Marquette, Inc.; P.P.I., Inc.; Riverboat Corporation of Mississippi; Riverboat Services, Inc.; and St. Charles Gaming Company, Inc. Each of the subsidiaries' guarantees is joint and several with the guarantees of the other subsidiaries.

Consolidating condensed balance sheets as of October 24, 2010 and April 25, 2010 are as follows (in-thousands):

As of October 24, 2010					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Balance Sheet					
Current assets	\$ 45,511	\$ 78,225	\$ 33,295	\$ (5,693)	\$ 151,338
Intercompany receivables	1,026,870	(229,779)	(46,323)	(750,768)	—
Investments in subsidiaries	399,562	(64,387)	—	(335,175)	—
Property and equipment, net	9,813	1,080,789	31,921	—	1,122,523
Other assets	59,565	444,338	19,781	(55,406)	468,278
Total assets	\$ 1,541,321	\$ 1,309,186	\$ 38,674	\$ (1,147,042)	\$ 1,742,139
Current liabilities	\$ 38,500	\$ 89,524	\$ 37,756	\$ (5,693)	\$ 160,087
Intercompany payables	—	750,768	—	(750,768)	—
Long-term debt, less current maturities	1,246,934	3,544	680	—	1,251,158
Other accrued liabilities	10,548	117,114	13,299	(55,406)	85,555
Stockholders' equity	245,339	348,236	(13,061)	(335,175)	245,339
Total liabilities and stockholders' equity	\$ 1,541,321	\$ 1,309,186	\$ 38,674	\$ (1,147,042)	\$ 1,742,139
As of April 25, 2010					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Balance Sheet					
Current assets	\$ 35,835	\$ 71,976	\$ 43,193	\$ (1,100)	\$ 149,904
Intercompany receivables	1,990,557	(185,612)	(54,177)	(750,768)	—
Investments in subsidiaries	390,369	(63,110)	—	(327,259)	—
Property and equipment, net	7,579	1,059,147	32,216	—	1,098,942
Other assets	57,092	409,106	11,150	(51,354)	425,994
Total assets	\$ 1,481,432	\$ 1,291,507	\$ 32,382	\$ (1,130,481)	\$ 1,674,840
Current liabilities	\$ 46,581	\$ 80,884	\$ 30,790	\$ (1,100)	\$ 157,155
Intercompany payables	—	750,768	—	(750,768)	—
Long-term debt, less current maturities	1,187,631	3,760	744	—	1,192,135
Other accrued liabilities	7,001	116,815	12,869	(51,354)	85,331
Stockholders' equity	240,219	339,280	(12,021)	(327,259)	240,219
Total liabilities and stockholders' equity	\$ 1,481,432	\$ 1,291,507	\$ 32,382	\$ (1,130,481)	\$ 1,674,840

Consolidating condensed statements of operations for the three and six month periods ended October 24, 2010 and October 25, 2009 are as follows (in thousands):

Statement of Operations	For the Three Months Ended October 24, 2010				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Revenues:					
Casino	\$ —	\$ 254,640	\$ —	\$ —	\$ 254,640
Pari-mutuel, rooms, food, beverage and other	985	43,630	2,413	(2,388)	44,640
Gross revenues	985	298,270	2,413	(2,388)	299,280
Less promotional allowances	—	(52,629)	—	—	(52,629)
Net revenues	985	245,641	2,413	(2,388)	246,651
Operating expenses:					
Casino	—	39,979	—	—	39,979
Gaming taxes	—	60,214	—	—	60,214
Other operating expenses	11,476	93,003	1,852	(2,388)	103,943
Management fee expense (revenue)	(8,900)	8,900	—	—	—
Depreciation and amortization	451	21,584	144	—	22,179
Total operating expenses	3,027	223,680	1,996	(2,388)	226,315
Operating income (loss)	(2,042)	21,961	417	—	20,336
Interest expense, net	(7,556)	(15,335)	(52)	—	(22,943)
Other	(743)	—	—	—	(743)
Equity in income (loss) of subsidiaries	4,883	(639)	—	(4,244)	—
Income (loss) from continuing operations before income taxes	(5,458)	5,987	365	(4,244)	(3,350)
Income tax (provision) benefit	3,645	(2,233)	125	—	1,537
Income (loss) from continuing operations	(1,813)	3,754	490	(4,244)	(1,813)
Income (loss) from discontinued operations, net of tax	794	—	—	—	794
Net income (loss)	\$ (1,019)	\$ 3,754	\$ 490	\$ (4,244)	\$ (1,019)

For the Three Months Ended October 25, 2009

Statement of Operations	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Revenues:					
Casino	\$ —	\$ 251,173	\$ —	\$ —	\$ 251,173
Pari-mutuel, rooms, food, beverage and other	252	44,818	2,419	(2,400)	45,089
Gross revenues	252	295,991	2,419	(2,400)	296,262
Less promotional allowances	—	(50,207)	—	—	(50,207)
Net revenues	252	245,784	2,419	(2,400)	246,055
Operating expenses:					
Casino	—	39,651	—	—	39,651
Gaming taxes	—	64,223	—	—	64,223
Other operating expenses	11,373	94,346	(3,397)	(2,400)	99,922
Management fee expense (revenue)	(6,312)	6,312	—	—	—
Depreciation and amortization	11,102	27,183	152	—	28,437
Total operating expenses	6,163	231,715	(3,245)	(2,400)	232,233
Operating income (loss)	(5,911)	14,069	5,664	—	13,822
Interest expense, net	(1,662)	(15,747)	(79)	—	(17,488)
Other	—	—	—	—	—
Equity in income (loss) of subsidiaries	7,611	(727)	—	(6,884)	—
Income (loss) from continuing operations before income taxes	38	(2,405)	5,585	(6,884)	(3,666)
Income tax (provision) benefit	2,335	5,729	(2,025)	—	6,039
Income (loss) from continuing operations	2,373	3,324	3,560	(6,884)	2,373
Income (loss) from discontinued operations, net of tax	(811)	(591)	(1,362)	1,953	(811)
Net income (loss)	\$ 1,562	\$ 2,733	\$ 2,198	\$ (4,931)	\$ 1,562

For the Six Months Ended October 24, 2010

Statement of Operations	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Revenues:					
Casino	\$ —	\$ 513,802	\$ —	\$ —	\$ 513,802
Parimutuel, rooms, food, beverage and other	1,308	88,255	4,957	(4,908)	89,612
Gross revenues	1,308	602,057	4,957	(4,908)	603,414
Less promotional allowances	—	(104,842)	—	—	(104,842)
Net revenues	1,308	497,215	4,957	(4,908)	498,572
Operating expenses:					
Casino	—	79,588	—	—	79,588
Gaming taxes	—	124,620	—	—	124,620
Other operating expenses	22,501	185,175	5,862	(4,908)	208,630
Management fee expense (revenue)	(17,612)	17,612	—	—	—
Depreciation and amortization	1,031	743,785	296	—	45,112
Total operating expenses	5,920	450,780	6,158	(4,908)	457,950
Operating income (loss)	(4,612)	46,435	(1,201)	—	40,622
Interest expense, net	(15,501)	(30,668)	(95)	—	(46,264)
Other	(2,230)	—	—	—	(2,230)
Equity in income (loss) of subsidiaries	9,717	(1,284)	—	(8,433)	—
Income (loss) from continuing operations before income taxes	(12,626)	14,483	(1,296)	(8,433)	(7,872)
Income tax (provision) benefit	8,158	(5,101)	347	—	3,404
Income (loss) from continuing operations	(4,468)	9,382	(949)	(8,433)	(4,468)
Income (loss) from discontinued operations, net of tax	794	—	—	—	794
Net income (loss)	\$ (3,674)	\$ 9,382	\$ (949)	\$ (8,433)	\$ (3,674)

For the Six Months Ended October 25, 2009

Statement of Operations	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Revenues:					
Casino	\$ —	\$ 513,436	\$ —	\$ —	\$ 513,436
Parimutuel, rooms, food, beverage and other	364	591,243	4,942	(4,904)	91,645
Gross revenues	364	604,679	4,942	(4,904)	605,081
Less promotional allowances	—	(101,112)	—	—	(101,112)
Net revenues	364	503,567	4,942	(4,904)	503,969
Operating expenses:					
Casino	—	78,916	—	—	78,916
Gaming taxes	—	130,527	—	—	130,527
Other operating expenses	22,429	187,979	(2,004)	(4,904)	203,500
Management fee expense (revenue)	(12,996)	12,996	—	—	—
Depreciation and amortization	(2,286)	54,674	305	—	57,265
Total operating expenses	11,719	465,092	(1,699)	(4,904)	470,208
Operating income (loss)	(11,355)	38,475	6,641	—	33,761
Interest expense, net	(3,373)	(31,862)	(232)	—	(35,467)
Equity in income (loss) of subsidiaries	13,682	(1,860)	—	(11,822)	—
Income (loss) from continuing operations before income taxes	(1,046)	4,753	6,409	(11,822)	(1,706)
Income tax (provision) benefit	4,474	2,887	(2,227)	—	5,134
Income (loss) from continuing operations	3,428	7,640	4,182	(11,822)	3,428
Income (loss) from discontinued operations, net of tax	(961)	(857)	(1,586)	2,443	(961)
Net income (loss)	\$ 2,467	\$ 6,783	\$ 2,596	\$ (9,379)	\$ 2,467

Consolidating condensed statements of cash flows for the six months ended October 24, 2010 and October 25, 2009 are as follows (in thousands):

Six Months Ended October 24, 2010					
Statement of Cash Flows	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Net cash provided by/(used in) operating activities	\$ (22,393)	\$ 61,833	\$ 9,292	\$ —	\$ 48,732
Net cash provided by/(used in) investing activities	(38,874)	(98,302)	(9,942)	35,465	(111,653)
Net cash provided by/(used in) financing activities	59,306	43,109	(7,911)	(35,465)	59,039
Effect of foreign currency exchange rates on cash and cash equivalents	—	—	(54)	—	(54)
Net increase (decrease) in cash and cash equivalents	(1,961)	6,640	(8,615)	—	(3,936)
Cash and cash equivalents at beginning of the period	6,506	46,994	14,569	—	68,069
Cash and cash equivalents at end of the period	\$ 4,545	\$ 53,634	\$ 5,954	\$ —	\$ 64,133

Six Months Ended October 25, 2009					
Statement of Cash Flows:	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Net cash provided by/(used in) operating activities	\$ (5,636)	\$ 62,923	\$ 3,436	\$ —	\$ 60,723
Net cash provided by/(used in) investing activities	63,403	(18,385)	125	(64,223)	(19,080)
Net cash provided by/(used in) financing activities	(62,021)	(60,257)	(4,221)	64,223	(62,276)
Effect of foreign currency exchange rates on cash and cash equivalents	—	—	35	—	35
Net increase (decrease) in cash and cash equivalents	(4,254)	(15,719)	(625)	—	(20,598)
Cash and cash equivalents at beginning of the period	8,776	68,681	19,197	—	96,654
Cash and cash equivalents at end of the period	\$ 4,522	\$ 52,962	\$ 18,572	\$ —	\$ 76,056

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements that we believe are, or may be considered to be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this report regarding the prospects of our industry or our prospects, plans, financial position or business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as "may," "will," "expect," "intend," "estimate," "foresee," "project," "anticipate," "believe," "plans," "forecasts," "continue" or "could" or the negatives of these terms or variations of them or similar terms. Furthermore, such forward-looking statements may be included in various filings that we make with the SEC or press releases or oral statements made by or with the approval of one of our authorized executive officers. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which reflect management's opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements. You are advised, however, to consult any additional disclosures we make in our reports to the SEC. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report.

For a more complete description of the risks that may affect our business, see our Annual Report on Form 10-K/A for the year ended April 25, 2010.

Executive Overview

We are a leading developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in regional markets in the United States. We have intentionally sought geographic diversity to limit the risks caused by weather, regional economic difficulties and local gaming authorities and regulations. We currently operate casinos in Mississippi, Louisiana, Missouri, Iowa, Colorado and Florida. We also operate a harness racing track at our casino in Florida.

Our operating results for the periods presented have been affected, both positively and negatively, by current economic conditions and several other factors discussed in detail below. Our historical operating results may not be indicative of our future results of operations because of these factors and the changing competitive landscape in each of our markets, as well as by factors discussed elsewhere herein. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K/A for the year ended April 25, 2010 and by giving consideration to the following:

Acquisition of Rainbow Casino - We completed the acquisition of Rainbow Casino-Vicksburg Partnership, L.P. ("Rainbow") located in Vicksburg, Mississippi on June 8, 2010 acquiring 100% of the partnership interests and have included the results of Rainbow in our consolidated financial statements subsequent to June 8, 2010. The acquisition was funded by borrowings from Isle's senior secured credit facility.

Florida Gaming Law Changes — Effective July 1, 2010, the state portion of gaming taxes applicable to our Pompano property was reduced from 50% to 35% of gaming revenues. Additionally, this legislation removed poker betting limits and allowed us to expand our poker hours from 12 hours per day to 18 hours per day Monday through Thursday and 24 hours per day on Friday through Sunday. Our casino revenues and gaming taxes reflect the favorable impact of these changes in state gaming laws.

Expense Recoveries and Other Charges — During the three months ended October 25, 2009, we recorded an other expense recovery of \$6.8 million representing the discounted value of a receivable for reimbursement of development costs expensed in prior periods relating to a terminated plan to develop a casino in Pittsburgh, Pennsylvania.

Provision for Income Taxes — During the period ended October 24, 2010, we recognized a tax benefit of \$0.8 million in discontinued operations representing the resolution of previously unrecognized tax positions following the completion of certain federal tax reviews. During the period ended October 25, 2009, we recognized a benefit of \$4.7 million in our income tax provision, as we elected to settle certain state income tax matters with our actual settlement being less than our estimated accrued liability.

Increased Competition — The opening of a new hotel in October 2009 by a competitor in Black Hawk, Colorado has had a negative impact on our Black Hawk, Colorado property.

Discontinued Operations — Discontinued operations include the results of our international operations including our former Blue Chip, Grand Bahamas and Coventry casino operations. The sale of our Blue Chip and exit of our Grand Bahamas casino operations were substantially completed during November 2009. Our Coventry casino operations were sold and discontinued during the fourth quarter of fiscal year 2009.

Revenues

Revenues for the three and six months ended October 24, 2010 and October 25, 2009 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	October 24, 2010	October 25, 2009		
Revenues:				
Casino	\$ 254,640	\$ 251,173	\$ 3,467	1.4%
Rooms	10,643	11,803	(1,160)	-9.8%
Pari-mutuel, food, beverage and other	33,997	33,286	711	2.1%
Gross revenues	299,280	296,262	3,018	1.0%
Less promotional allowances	(52,629)	(50,207)	(2,422)	4.8%
Net revenues	\$ 246,651	\$ 246,055	\$ 596	0.2%

(in thousands)	Six Months Ended		Variance	Percentage Variance
	October 24, 2010	October 25, 2009		
Revenues:				
Casino	\$ 513,802	\$ 513,436	\$ 366	0.1%
Rooms	21,524	24,064	(2,540)	-10.6%
Pari-mutuel, food, beverage and other	68,088	67,581	507	0.8%
Gross revenues	603,414	605,081	(1,667)	-0.3%
Less promotional allowances	(104,842)	(101,112)	(3,730)	3.7%
Net revenues	\$ 498,572	\$ 503,969	\$ (5,397)	-1.1%

Casino Revenues - Casino revenues increased \$3.5 million, or 1.4%, and \$0.4 million, or 0.1%, for the three and six months ended October 24, 2010, respectively, as compared to the same period in fiscal 2010.

For the three months ended October 24, 2010, casino revenues increased \$2.6 million at our Pompano property, and included \$9.4 million from our newly acquired Vicksburg casino. These increases were offset by decreased casino revenues at our Black Hawk and Quad Cities properties of \$5.5 million reflecting the impact of competition and net decreases at our other properties of \$3.0 million primarily due to current economic conditions.

For the six months ended October 24, 2010, casino revenues increased \$6.1 million at our Pompano property, and included \$14.8 million from our newly acquired Vicksburg casino. These increases were offset by decreased casino revenues at our Black Hawk and Quad Cities properties of \$12.0 million reflecting the impact of competition and net decreases at our other properties of \$8.5 million primarily due to current economic conditions.

Rooms Revenue - Rooms revenue decreased \$1.2 million, or 9.8%, and \$2.5 million, or 10.6%, for the three and six months ended October 24, 2010, respectively, as compared to the same period in the prior fiscal year. The majority of this decrease

has occurred at our Black Hawk property where we have experienced decline in both room rates and occupancy following the opening of a competitor's new hotel during October 2009.

Pari-mutuel, Food, Beverage and Other Revenues — Pari-mutuel, food, beverage and other revenues increased \$0.7 million, or 2.1%, and \$0.5 million, or 0.8%, for the three and six months ended October 24, 2010, respectively, as compared to the same period in the prior fiscal year. Food, beverage and other revenues for the three and six months ended October 24, 2010 included \$0.6 million and \$1.0 million, respectively, from our recently acquired Vicksburg casino.

Promotional Allowances - Promotional allowances increased \$2.4 million, or 4.8%, and \$3.7 million, or 3.7%, for the three and six months ended October 24, 2010, respectively, as compared to the same period in the prior fiscal year. Promotional allowances for the three and six months ended October 24, 2010 included \$2.8 million and \$4.5 million, respectively; from our newly acquired Vicksburg casino. At our existing properties, changes in our promotional allowances reflect revisions to our marketing plans as a result of competitive factors, economic conditions and regulations.

Operating Expenses

Operating expenses for the three months ended October 24, 2010 and October 25, 2009 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	October 24, 2010	October 25, 2009		
Operating expenses:				
Casino	\$ 39,979	\$ 39,651	\$ 328	0.8%
Gaming taxes	60,214	64,223	(4,009)	-6.2%
Rooms	2,725	2,824	(99)	-3.5%
Pari-mutuel, food, beverage and other	11,123	11,243	(120)	-1.1%
Marine and facilities	15,347	16,110	(763)	-4.7%
Marketing and administrative	63,808	64,167	(359)	-0.6%
Corporate and development	10,940	12,340	(1,400)	-11.3%
Expense recoveries and other charges	—	(6,762)	6,762	100.0%
Depreciation and amortization	22,179	28,437	(6,258)	-22.0%
Total operating expenses	\$ 226,315	\$ 232,233	(\$ 5,918)	-2.5%

(in thousands)	Six Months Ended		Variance	Percentage Variance
	October 24, 2010	October 25, 2009		
Operating expenses:				
Casino	\$ 79,588	\$ 78,916	\$ 672	0.9%
Gaming taxes	124,620	130,527	(\$ 5,907)	-4.5%
Rooms	5,494	5,881	(387)	-6.6%
Pari-mutuel, food, beverage and other	22,291	22,085	206	0.9%
Marine and facilities	29,956	31,756	(1,800)	-5.7%
Marketing and administrative	127,428	128,255	(827)	-0.6%
Corporate and development	23,461	22,285	1,176	5.3%
Expense recoveries and other charges	—	(6,762)	6,762	100.0%
Depreciation and amortization	45,112	57,265	(12,153)	-21.2%
Total operating expenses	\$ 457,950	\$ 470,208	(\$ 12,258)	-2.6%

Casino - Casino operating expenses increased \$0.3 million, or 0.8%, and \$0.7 million, or 0.9%, for the three and six months ended October 24, 2010, respectively, as compared to the same period in the prior fiscal year. Excluding casino costs of \$1.2 million and \$2.0 million for the three and six months ended October 24, 2010, incurred by our recently acquired Vicksburg casino, our casino costs would have decreased \$0.9 million and \$1.3 million, respectively. This net decrease

- reflects costs reductions in casino expense at most of our properties offset by a slight increase in casino expenses at our Pompano property following the expansion of gaming hours effective July 1, 2010.

Gaming Taxes - State and local gaming taxes decreased \$4.0 million, or 6.2%, and \$5.9 million, or 4.5%, for the three and six months ended October 24, 2010, respectively, as compared to the same period in the prior fiscal year. Reductions in gaming taxes for the three months ended July 25, 2010 reflect the decrease in state gaming taxes at our Pompano facility from 50% to 35% effective July 1, 2010, decreases in our overall gaming revenues and changes in the mix of our gaming revenues derived from states with different gaming tax rates. Gaming taxes for the three and six months ended October 24, 2010 included \$0.8 million and \$1.3 million, respectively, from our newly acquired Vicksburg casino.

Rooms - Rooms expense decreased \$0.1 million, or 3.5%, and \$0.4 million, or 6.5%, for the three and six months ended October 24, 2010, respectively, as compared to the same period in the prior fiscal year. These expenses directly relate to the cost of providing hotel rooms. This decrease in rooms expense is reflective of an 9.8% and 10.6% reduction in our hotel revenues for the three and six months ended October 24, 2010, respectively, as compared to the same period in the prior fiscal year.

Pari-mutuel, Food, Beverage and Other - Pari-mutuel, food, beverage and other expenses decreased \$0.1 million and increased \$0.2 million for the three and six months ended October 24, 2010, respectively, as compared to the same period in the prior fiscal year. Excluding food beverage and other costs of \$0.4 million and \$0.6 million for the three and six months ended October 24, 2010, incurred by our recently acquired Vicksburg casino, our food, beverage and other expenses would have increased \$0.1 million and \$0.2 million, respectively.

Marine and Facilities - Marine and facilities expenses decreased \$0.8 million, or 4.7%, and \$1.8 million, or 5.7% for the three and six months ended October 24, 2010, respectively, as compared to the same period in the prior fiscal year. This decrease includes reductions in facility costs across most properties as we continue to focus on cost reductions efforts. Marine and facility expense for the three and six months ended October 24, 2010 included \$0.4 million and \$0.6 million, respectively, from our newly acquired Vicksburg casino.

Marketing and Administrative - Marketing and administrative expenses decreased \$0.4 million, or 0.6%, and \$0.8 million, or 0.6%, for the three and six months ended October 24, 2010 as compared to the same period in the prior fiscal year. Excluding marketing and administrative costs of \$2.2 million and \$3.3 million for the three and six months ended October 24, 2010, incurred by our recently acquired Vicksburg casino, our marketing and administrative costs would have decreased \$2.6 million and \$4.1 million, respectively. These decreases reflect reductions in our operating cost to align such expenditures with changes in our net revenues.

Corporate and Development - During the three months ended October 24, 2010, our corporate and development expenses were \$10.9 million compared to \$12.3 million for the three months ended October 25, 2009. During the six months ended October 24, 2010, our corporate and development expenses were \$23.5 million compared to \$22.3 million for the six months ended October 25, 2009. The increase in corporate and development expenses for the six months ended October 24, 2010, reflects approximately \$1.1 million in expenses related to our attempted equity offering in June 2010, an additional \$1.1 million in acquisition related costs regarding the Rainbow acquisition, and \$1.7 million in development expenses, primarily offset by reductions in compensation expense.

Depreciation and Amortization - Depreciation and amortization expense for the three and six months ended October 24, 2010 decreased \$6.3 million and \$12.2 million, respectively, as compared to the same periods in the prior fiscal year, primarily due to certain assets becoming fully depreciated. Depreciation and amortization for the three and six months ended October 24, 2010 included \$1.3 million and \$1.9 million, respectively, from our newly acquired Vicksburg casino.

Other Income (Expense), Income Taxes, and Discontinued Operations

Interest expense, interest income, income tax (provision) benefit, and income (loss) from discontinued operations, net of income taxes for the three and six months ended October 24, 2010 and October 25, 2009 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	October 24, 2010	October 25, 2009		
Interest expense	\$ (23,410)	\$ (17,883)	\$ (5,527)	-30.9%
Interest income	467	395	72	18.2%
Derivative income (expense)	(743)	—	(743)	N/M
Income tax benefit (provision)	1,537	6,039	(4,502)	-74.5%
Income (loss) from discontinued operations, net of income taxes	794	(811)	1,605	-197.9%

(in thousands)	Six Months Ended		Variance	Percentage Variance
	October 24, 2010	October 25, 2009		
Interest expense	\$ (47,205)	\$ (36,230)	\$ (10,975)	-30.3%
Interest income	941	763	178	23.3%
Derivative income (expense)	(2,230)	—	(2,230)	N/M
Income tax benefit (provision)	3,404	5,134	(1,730)	-33.7%
Income (loss) from discontinued operations, net of income taxes	794	(961)	1,755	-182.6%

Interest Expense - Interest expense increased \$5.5 million and \$11.0 million, respectively, for the three and six months ended October 24, 2010, as compared to the same period in the prior fiscal year. This increase reflects the amendment of our senior credit facility during the fourth quarter of fiscal year 2010 which increased our interest rate on borrowings under the facility and additional interest on borrowings to fund our acquisition of the Vicksburg casino effective June 8, 2010.

Derivative income (expense) — This includes expenses related to the change in fair value of our ineffective interest rate swaps. Our interest rate swaps became ineffective following the amendment of our senior secured credit facility during the fourth quarter of fiscal year 2010.

Income Tax Benefit (Provision) — Our income tax benefit (provision) from continuing operations and our effective income tax rate has been impacted by our estimate of annual taxable income for financial statement purposes as well as our percentage of permanent and other items in relation to such estimated income or loss. During the prior fiscal year, our effective income tax rate was also impacted by our settlement of certain tax liabilities for \$4.7 million less than our estimated accrual.

Liquidity and Capital Resources

Cash Flows from Operating Activities - During the six months ended October 24, 2010, we generated \$48.7 million in cash flows from operating activities compared to generating \$60.7 million during the six months ended October 25, 2009. The year over year decrease in cash flows from operating activities primarily results from decreases in operating income, exclusive of non-cash items, such as depreciation and expense recoveries.

Cash Flows used in Investing Activities - During the six months ended October 24, 2010, we used \$111.7 million for investing activities compared to using \$19.1 million during the six months ended October 25, 2009. Significant investing activities for the six months ended October 24, 2010 included the purchase of the Rainbow casino in Vicksburg, Mississippi for \$76.2 million, purchases of property and equipment of \$25.7 million and increases in restricted cash at our captive insurance company by \$9.5 million to fund insurance reserves in lieu of providing letters of credit.

For the six months ended October 25, 2009, significant investing activities included the purchase of property and equipment for \$15.3 million and payment of \$4.0 million towards our Waterloo gaming license.

Cash Flows used in Financing Activities - During the six months ended October 24, 2010 we had net borrowings under our line of credit of \$63.5 million which included the borrowing of \$80 million to fund our acquisition of the Rainbow casino in Vicksburg, Mississippi. We also used \$4.5 million to repay other outstanding long-term debt.

During the six months ended October 25, 2009, our net cash flows used in financing activities were used primarily to repay our outstanding long term debt of \$62.5 million.

Availability of Cash and Additional Capital - At October 24, 2010, we had cash and cash equivalents of \$64.1 million and marketable securities of \$23.0 million. As of October 24, 2010, we had \$85 million in revolving credit borrowings and \$813.1 million in term loans outstanding under the senior secured credit facility. Our line of credit availability at October 24, 2010 was approximately \$106 million as limited by our leverage ratio.

Capital Expenditures and Development Activities - On December 1, 2010, our proposed casino in Cape Girardeau, Missouri was selected by the Missouri Gaming Commission for prioritization for the 13th and final gaming license in the State of Missouri. We had previously entered into a development agreement with the City of Cape Girardeau. The project is expected to include 1,000 slot machines, 28 table games, 3 restaurants, a lounge and terrace overlooking the Mississippi River and a 750-seat event center. We currently estimate the cost of the project at approximately \$125,000 with an anticipated opening date by the end of calendar 2012.

Historically, we have made significant investments in property and equipment and expect that our operations will continue to demand ongoing investments to keep our properties competitive. Our current planned capital expenditures include \$22 million in maintenance capital expenditures and approximately \$10 million in expenditures related to Cape Girardeau for the balance of fiscal year 2011.

Typically, we have funded our daily operations through net cash provided by operating activities and our significant capital expenditures through operating cash flow and debt financing. While we believe that cash on hand, cash flow from operations, and available borrowings under our senior secured credit facility will be sufficient to support our working capital needs, planned capital expenditures and debt service requirements for the foreseeable future, there is no assurance that these sources will in fact provide adequate funding for our planned and necessary expenditures or that the level of our capital investments will be sufficient to allow us to remain competitive in our existing markets.

As part of our business development activities, historically we have entered into agreements which have resulted in the acquisition or development of businesses or assets. These business development efforts and related agreements typically require the expenditure of cash, which may be significant. The amount and timing of our cash expenditures relating to development activities may vary based upon our evaluation of current and future development opportunities, our financial condition and the condition of the financing markets. Our development activities are subject to a variety of factors including but not limited to: obtaining permits, licenses and approvals from appropriate regulatory and other agencies, legislative changes and, in certain circumstances, negotiating acceptable leases.

We have entered into an agreement to provide management services for a potential casino to be located at the Nemacolin Woodlands Resort in Farmington, Pennsylvania, ("the Resort"). The development of this casino is subject to numerous regulatory approvals including obtaining a state gaming license, which is a competitive award process among four applicants. If the Resort is successful in obtaining a gaming license, we have agreed to complete the build-out of the casino space. We currently estimate the project cost at approximately \$50 million.

We have identified several capital projects primarily focused on refreshing our hotel room inventory as well as additional improvements to our Black Hawk and Lake Charles properties, and further Lady Luck conversions. The timing and amount of these capital expenditures will be determined as we gain more clarity as to improvement of economic and local market conditions, cash flows from our continuing operations and availability of cash under our senior secured credit facility.

We are highly leveraged and may be unable to obtain additional debt or equity financing on acceptable terms if our current sources of liquidity are not sufficient or if we fail to stay in compliance with the covenants of our senior secured credit facility. We will continue to evaluate our planned capital expenditures at each of our existing locations in light of the operating performance of the facilities at such locations.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles that require our management to make estimates and assumptions that affect reported amounts and related disclosures. Management identifies critical accounting estimates as:

- those that require the use of assumptions about matters that are inherently and highly uncertain at the time the estimates are made;
- those estimates where, had we chosen different estimates or assumptions, the resulting differences would have had a material impact on our financial condition, changes in financial condition or results of operations; and
- those estimates that, if they were to change from period to period, likely would result in a material impact on our financial condition, changes in financial condition or results of operations.

Accounting Standards Codification ("ASC") Topic 350, Intangibles-Goodwill and Other, requires goodwill and other intangibles to be reviewed for impairment at least annually or on an interim basis if indicators of impairment exist. Goodwill for relevant reporting units is tested for impairment using a cash flow analysis based on forecasted future results discounted using our weighted average cost of capital and by using a market approach based upon valuation multiples for similar companies.

For a discussion of our significant accounting policies and estimates, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements presented in our 2010 Annual Report on Form 10-K/A. There were no newly identified significant accounting estimates in the second quarter of fiscal year 2011, nor were there any material changes to the critical accounting policies and estimates set forth in our 2010 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, including interest rates, foreign currency exchange rates, commodity prices and equity prices. Our primary exposure to market risk is interest rate risk associated with our Isle of Capri Casinos, Inc. senior secured credit facility ("Credit Facility").

We have entered into interest rate swap and cap arrangements with aggregate notional value of \$320 million as of October 24, 2010. The swap agreements effectively convert portions of the Credit Facility variable debt to a fixed-rate basis until the respective swap agreements terminate, which occurs during fiscal years 2011, 2012 and 2014. Our interest expense is impacted by the relationship between our Credit Facility variable rate debt and our interest rate derivatives, and as such, based on current debt levels, relative changes in future interest rates would impact future annual interest expense as follows:

Increase to variable rate	Increase/(decrease) (in millions)
1%	(2.0)
2%	(1.4)
3%	(5.2)
4%	11.0
5%	16.8

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on the evaluation, management has concluded that the design and operation of our disclosure controls and procedures are effective as of October 24, 2010.

Because of its inherent limitations, systems of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal controls over financial reporting during the fiscal quarter ended October 24, 2010, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A reference is made to the information contained in Footnote 11 of our unaudited condensed consolidated financial statements included herein, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There are no material changes to the disclosure regarding risk factors presented in our Annual Report on Form 10-K/A for the fiscal year ended April 25, 2010.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We have purchased our common stock under stock repurchase programs. These programs allow for the repurchase of up to 6,000,000 shares. To date, we have purchased 4,895,792 shares of our common stock under these programs. These programs have no approved dollar amount, nor expiration dates. No purchases were made during the six months ended October 24, 2010.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS SUBJECT TO A VOTE OF SECURITY HOLDERS

Our Annual Meeting of Stockholders was held on October 5, 2010. The stockholders (1) elected nine members to the Company's Board of Directors to serve until the next Annual Meeting of Stockholders or until their respective successors have been duly elected and qualified. In addition, the stockholders (2) ratified the Audit Committee's selection of Ernst & Young, LLP as the Company's independent registered public accounting firm for the 2011 fiscal year, approved the

amendments to the Company's Certificate of Incorporation (3) to increase authorized common stock, (4) to provide more detail with respect to the powers of the Board of Directors in connection with issuing preferred stock, (5) to fix a range for the number of Directors, (6) with respect to filling vacancies on the Board of Directors, (7) with respect to indemnification of directors, officers, employees and agents, (8) with respect to calling of special meetings of stockholders, (9) with respect to the redemption of shares of a disqualified holder and (10) approved the adoption of the Amended and Restated Certificate of Incorporation.

1. The stockholders elected nine members to the Company's Board of Directors, with voting as follows:

Election of Directors	Votes	
	For	Withheld
W. Randolph Baker	23,962,449	1,396,082
Alan J. Glazer	24,002,074	1,356,457
Richard A. Goldstein	23,299,078	2,059,453
Jeffrey D. Goldstein	23,299,070	2,059,461
Robert S. Goldstein	23,300,395	2,058,136
Shaun R. Hayes	23,982,475	1,376,056
Gregory J. Kozicz	23,983,641	1,374,890
James B. Perry	23,113,918	2,240,613
Lee S. Wicłansky	23,189,115	2,169,416

There were 5,186,800 broker non-votes.

2. The stockholders ratified the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2011 fiscal year, with voting as follows: 30,455,073 for, 84,642 against, 5,616 abstaining, 0 broker non-votes.
3. The stockholders approved the amendment to the Company's Certificate of Incorporation to increase authorized common stock, with voting as follows: 28,565,316 for, 1,940,330 against, 39,685 abstaining, 0 broker non-votes.
4. The stockholders approved the amendment to the Company's Certificate of Incorporation to provide more detail with respect to the powers of the Board of Directors in connection with issuing preferred stock, with voting as follows: 18,394,671 for, 6,933,329 against, 30,531 abstaining, 5,186,800 broker non-votes.
5. The stockholders approved the amendment to the Company's Certificate of Incorporation to fix a range for the number of Directors, with voting as follows: 28,955,460 for, 1,515,569 against, 74,302 abstaining, 0 broker non-votes.
6. The stockholders approved the amendment to the Company's Certificate of Incorporation with respect to filling vacancies on the Board of Directors, with voting as follows: 28,874,304 for, 1,581,252 against, 89,775 abstaining, 0 broker non-votes.
7. The stockholders approved the amendment to the Company's Certificate of Incorporation with respect to indemnification of directors, officers, employees and agents, with voting as follows: 28,915,611 for, 1,549,813 against, 79,907 abstaining, 0 broker non-votes.
8. The stockholders approved the amendment to the Company's Certificate of Incorporation with respect to calling of special meetings of stockholders, with voting as follows: 28,920,856 for, 1,550,482 against, 73,993 abstaining, 0 broker non-votes.
9. The stockholders approved the amendment to the Company's Certificate of Incorporation with respect to the redemption of shares of a disqualified holder, with voting as follows: 19,231,727 for, 6,097,683 against, 29,121 abstaining, 5,186,800 broker non-votes.
10. The stockholders approved the adoption of the Amended and Restated Certificate of Incorporation, with voting as follows: 23,300,609 for, 7,174,080 against, 70,642 abstaining, 0 broker non-votes.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See the Index to Exhibits following the signature page hereto for a list of the exhibits filed pursuant to Item 601 of Regulation S-K.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ISLE OF CAPRI CASINOS, INC.

Dated: December 3, 2010

/s/ DALE R. BLACK

Dale R. Black

Senior Vice President and Chief Financial Officer

(Principal Financial Officer and Authorized Officer)

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
3.1	Amended and Restated Certificate of Incorporation of Isle of Capri Casinos, Inc.
10.1	Isle of Capri Casinos, Inc. Corporate Level Incentive Compensation Plan
10.2	Development Agreement by and between IOC-Cape Girardeau, LLC and the City of Cape Girardeau, Missouri dated as of October 4, 2010
31.1	<i>Certification of Chief Executive Officer pursuant to Rule 13a—14(a) under the Securities Exchange Act of 1934</i>
31.2	Certification of Chief Financial Officer pursuant to Rule 13a—14(a) under the Securities Exchange Act of 1934
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

**AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
of
ISLE OF CAPRI CASINOS, INC.**

Pursuant to Sections 242 and 245 of the General Corporation Law of Delaware

Isle of Capri Casinos, Inc., a corporation organized and existing under the General Corporation Law of Delaware, does hereby certify as follows:

(1) The name of the corporation is Isle of Capri Casinos, Inc. The name under which it was originally incorporated was Kana Corporation. The date of filing of its original Certificate of Incorporation was February 14, 1990.

(2) This Amended and Restated Certificate of Incorporation was duly adopted by the Board of Directors of the corporation and its stockholders in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of Delaware.

(3) This Amended and Restated Certificate of Incorporation restates and integrates and further amends the Certificate of Incorporation of the corporation, as heretofore amended or supplemented.

(4) The text of the Certificate of Incorporation, as heretofore amended or supplemented, is amended and restated in its entirety as follows:

FIRST: The name of the corporation is Isle of Capri Casinos, Inc. (hereinafter in this Amended and Restated Certificate of Incorporation called the "Corporation").

SECOND: The registered office of the Corporation in the State of Delaware is located at 1209 Orange Street in the City of Wilmington, County of New Castle. The name of the registered agent of the Corporation is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The aggregate number of shares the Corporation has authority to issue shall be 65,000,000 shares, of which 60,000,000 shares of the par value \$.01 shall be designated as "Common Stock," 3,000,000 shares of the par value \$.01 shall be designated as "Class B Common Stock," and 2,000,000 shares of the par value \$.01 shall be designated as "Preferred Stock."

Authority is hereby expressly granted to and vested in the Board of Directors of the Corporation to provide for the issue of the Preferred Stock in one or more series and in connection therewith to fix by resolutions providing for the issue of such series the number of shares to be included in such series and the designations and such voting powers, full or limited, or no voting powers, and such of the preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of such series of the Preferred Stock, to the full extent now or hereafter permitted by the laws of the State of

Delaware. Without limiting the generality of the grant of authority contained in the preceding sentence, the Board of Directors is authorized to determine any or all of the following, and the shares of each series may vary from the shares of any other series in any or all of the following respects:

1. The number of shares of such series (which may subsequently be increased, except as otherwise provided by the resolutions of the Board of Directors providing for the issue of such series, or decreased to a number not less than the number of shares then outstanding) and the distinctive designation thereof;
2. The dividend rights, if any, of such series, the dividend preferences, if any, as between such series and any other class or series of stock, whether and the extent to which shares of such series shall be entitled to participate in dividends with shares of any other series or class of stock, whether and the extent to which dividends on such series shall be cumulative, and any limitations, restrictions or conditions on the payment of such dividends;
3. The time or times during which, the price or prices at which, and any other terms or conditions on which the shares of such series may be redeemed, if redeemable;
4. The rights of such series, and the preferences, if any, as between such series and any other class or series of stock, in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and whether and the extent to which shares of any such series shall be entitled to participate in such event with any other class or series of stock;
5. The voting powers, if any, in addition to the voting powers prescribed by law of shares of such series, and the terms of exercise of such voting powers;
6. Whether shares of such series shall be convertible into or exchangeable for shares of any other series or class of stock, or any other securities, and the terms and conditions, if any, applicable to such rights; and
7. The terms and conditions, if any, of any purchase, retirement or sinking fund which may be provided for the shares of such series.

Authority is also hereby expressly granted to and vested in the Board of Directors of the Corporation to establish, by resolution adopted and filed in the manner provided by law, one or more series of Class B Common Stock and to fix the powers, preferences, rights and limitations of such class or series.

FIFTH: The number of directors which shall constitute the whole Board of Directors of the Corporation shall be the number from time to time fixed by the Board of Directors but in no event shall be less than five or more than fifteen.

Any vacancy on the Board of Directors, including any such vacancy that results from an increase in the number of directors, may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

SIXTH: The Board of Directors shall have such powers as are permitted by the General Corporation Law of Delaware, including without limitation and without the assent or vote of the stockholders, to make, alter, amend, change, add to, or repeal the Bylaws of the Corporation; to fix and vary the amount to be reserved as working capital; to authorize and cause to be executed mortgages and liens upon all the property of the Corporation, or any part thereof; to determine the use and disposition of any surplus or net profits over and above the capital stock paid in; and to fix the times for the declaration and payment of dividends.

SEVENTH: To the fullest extent permitted by the General Corporation Law of Delaware or any other law of the State of Delaware as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

EIGHTH: The Corporation shall indemnify and advance expenses to each person who serves as an officer or director of the Corporation or a subsidiary of the Corporation and each person who serves or may have served at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise from any liability incurred as a result of such service to the fullest extent permitted by the General Corporation Law of Delaware as it may from time to time be amended, except with respect to an action commenced by such director or officer against the Corporation or by such director or officer as a derivative action by or in the right of the Corporation. Each person who is or was an employee or agent of the Corporation and each officer or director who commences any action against the Corporation or a derivative action by or in the right of the Corporation may be similarly indemnified and receive an advance of expenses at the discretion of the Board of Directors.

The indemnification and advancement of expenses provided by, or granted pursuant to, this Amended and Restated Certificate of Incorporation shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under this Amended and Restated Certificate of Incorporation or the laws of the State of Delaware.

The indemnification and advancement of expenses provided by, or granted pursuant to, the Amended and Restated Certificate of Incorporation shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

NINTH: No amendments to this Amended and Restated Certificate of Incorporation or repeal of any Article of this Amended and Restated Certificate of Incorporation shall increase the

liability or alleged liability or reduce or limit the right to indemnification of any directors, officers or employees of the Corporation for acts or omissions of such person occurring prior to such amendment or repeal.

TENTH: Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

ELEVENTH:

11.1) No person may become the Beneficial Owner of five percent (5%) or more of any class or series of the Corporation's issued and outstanding Capital Stock unless such Person agrees in writing to: (i) provide to the Gaming Authorities information regarding such Person, including without limitation thereto, information regarding other gaming-related activities of such Person and financial statements, in such form, and with such updates, as may be required by any Gaming Authority; (ii) respond to written or oral questions that may be propounded by any Gaming Authority; and (iii) consent to the performance of any background investigation that may be required by any Gaming Authority, including without limitation thereto, an investigation of any criminal record of such Person.

11.2) Notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation, but subject to the provisions of any resolution of the Board of Directors creating any series of Class B Common Stock or any class or series of Preferred Stock or any other class of stock which has a preference over Common Stock with regard to dividends or upon liquidation, outstanding shares of Capital Stock held by a Disqualified Holder shall be subject to redemption at any time by the Corporation by action of the Board of Directors. The terms and conditions of each redemption shall be as follows:

(a) The Redemption Price of such shares may be paid in cash, by promissory note, or both, as required by the applicable Gaming Authority and, if not so required, as the Board of Directors elects.

(b) If less than all the shares held by Disqualified Holders are to be redeemed, the shares to be redeemed shall be selected in such manner as shall be determined by the Board of Directors, which may include selection first of the most recently purchased shares thereof, selection by lot, or selection in any other manner determined by the Board of Directors.

(c) If the Board of Directors deems it necessary or advisable to redeem any shares of Capital Stock held by a Disqualified Holder, the Corporation shall give a notice of redemption to the Disqualified Holder which shall set forth the (i) Redemption Date, (ii) the number of shares of Capital Stock to be redeemed, (iii) the Redemption Price and the manner of payment therefor.

(d) From and after the Redemption Date or such earlier date as mandated by a Gaming Authority or pertinent state or federal law, any and all rights of whatever nature which may be held by the Beneficial Owners of shares selected for redemption (including any rights to vote or participate in dividends declared on stock of the same class or series as such shares) shall cease and terminate and they shall thenceforth be entitled only to receive the cash or Redemption Securities payable upon redemption.

(e) Such redemption shall be upon such other terms and conditions as the Board of Directors shall determine.

11.3) A Disqualified Holder shall indemnify and hold harmless the Corporation and its Affiliates for any and all losses, costs and expenses, including attorneys' fees, incurred by the Corporation or its Affiliates as a result of, or arising out of, such Disqualified Holder's ownership or control or failure to promptly divest itself of any shares of Capital Stock.

11.4) Capitalized terms used in this Article ELEVENTH shall have the meanings provided below.

"Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 under the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Act"). The term "registrant" as used in said Rule 12b-2 shall mean the Corporation.

"Beneficial Owner" shall mean any Person who, singly or together with any of such person's Affiliates or Associates, directly or indirectly, has "beneficial ownership" of Capital Stock (as determined pursuant to Rule 13d-3 of the Act).

"Capital Stock" shall mean Common Stock, Class B Common Stock, Preferred Stock, or any other class or series of stock of the Corporation.

"Disqualified Holder" shall mean any Beneficial Owner of shares of Capital Stock of the Corporation or any of its Subsidiaries, whose holding of shares of Capital Stock, when taken together with the holding of shares of Capital Stock by any other Beneficial Holder, may in the judgment of the Board of Directors, result in (i) the disapproval, modification, or non-renewal of any contract under which the Corporation or any Subsidiary has sole or shared authority to manage any gaming operations, or (ii) the loss or non-reinstatement of any license or franchise from any governmental agency held by the Corporation or any Subsidiary to conduct any portion

of the business of the Corporation or any Subsidiary, which license or franchise is conditioned upon some or all of the holders of Capital Stock meeting certain criteria.

"Gaming Authorities" shall mean state gaming authorities, the National Indian Gaming Commission, and any other tribal or governmental authority regulating any form of gaming that has jurisdiction over the Corporation or any Subsidiary.

"Person" shall mean any natural person, corporation, firm, partnership, association, government, governmental agency, or any other entity, whether acting in an individual, fiduciary, or any other capacity.

"Redemption Date" shall mean the date fixed by the Board of Directors for the redemption of any shares of Capital Stock of the Corporation pursuant to Section 11.2.

"Redemption Price" shall mean the per share price for the redemption of any shares of Capital Stock to be redeemed pursuant to Section 11.2, which shall be (A) that price (if any) required to be paid by the applicable Gaming Authority or state or federal law, or if no such price is required, (B) that amount deemed reasonable by the Board of Directors (which may include, in the Corporation's discretion, the original purchase price per share of the securities to be redeemed); provided, however, that the price per share represented by the Redemption Price shall in no event be in excess of (i) the closing sales price of the securities on the national securities exchange on which such shares are then listed on the date the Redemption Notice is delivered to the Disqualified Holder by the Corporation, or (ii) if the shares are not then so listed, then the mean between the representative bid and the ask price as quoted by any other generally recognized reporting system.

"Subsidiary" shall mean any company of which a majority of any class of equity security is beneficially owned by the Corporation.

TWELFTH: Elections of directors need not be by written ballot unless and except to the extent that the Bylaws of the Corporation so provide.

THIRTEENTH: Except as otherwise may be required by law or pursuant to the rights of any series of Preferred Stock or Class B Common Stock, special meetings of stockholders may only be called by (i) the Chairman of the Board of Directors, if there be one, (ii) the Vice Chairman of the Board of Directors, if there be one, (iii) the Chief Executive Officer, if there be one, (iv) the President or (v) the Board of Directors, and no special meeting of stockholders may be called by any other person or persons.

FOURTEENTH: The Corporation hereby reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation in the manner now or hereafter prescribed by the General Corporation Law of Delaware and all rights conferred on stockholders herein granted are subject to this reservation.

IN WITNESS WHEREOF, Isle of Capri Casinos, Inc. has caused this Amended and Restated Certificate of Incorporation to be executed on its behalf this 6th day of October, 2010.

ISLE OF CAPRI CASINOS, INC.

By: /s/ Edmund L. Quatmann, Jr.

Name: Edmund L. Quatmann, Jr.

Its: Senior Vice President, General Counsel and Secretary

**ISLE OF CAPRI CASINOS INC.
CORPORATE LEVEL
INCENTIVE COMPENSATION PLAN**

1. PURPOSE

This Isle of Capri Casinos Inc. Corporate Incentive Compensation Plan (the "Plan") is designed to encourage profitable performance of the Company and to reward and recognize individuals who directly affect and contribute to the achievement of that performance. We anticipate that by linking incremental incentive compensation to Company performance over which the Participants have a substantial degree of influence, the Plan will promote higher levels of productivity and substantial additional value for the Company's shareholders.

In order to accomplish the objective of increased performance and corporate profitability, the Plan has been designed to meet the following criteria:

- (a) Bonus amounts available to key Corporate personnel directly relate to predetermined Performance Goals.
- (b) Outstanding achievement will result in outstanding rewards, i.e. the better the performance relative to the Performance Goals, the larger the incentive that Participants will receive, subject to overall Plan limitations.
- (c) Targeted bonus compensation is consistent with similar jobs in the regional casino industry.

2. DEFINITIONS

For Plan purposes, except where the context otherwise indicates, the following terms shall have the meanings which follow:

- (a) "Base Salary" for any Bonus Period shall mean the annual base salary of a Participant based on his/her base salary level for the applicable Bonus Period, exclusive of overtime compensation, housing or travel allowances, bonuses or other compensation of any kind.
 - (b) "Beneficiary" shall mean the person or persons who may be designated by a Participant from time to time in writing to the Committee and who shall receive the Bonus if the Participant dies prior to payment of any Bonus to which the Participant is entitled hereunder.
 - (c) "Board" shall mean the Board of Directors of the Company.
 - (d) "Bonus" shall mean the amount of the cash bonus paid to a Participant under the Plan on any Payment Date.
-

- (e) "Bonus Period" means the period specified by the Committee; provided, however that unless otherwise specified by the Committee the Bonus Period shall mean the Company's fiscal year. The Committee may establish quarterly Bonus Period within an annual Bonus Period.
- (f) "CEO" shall mean the Chief Executive Officer of the Company.
- (g) "Committee" shall mean the Stock Option and Compensation Committee of the Board or such other Committee of the Board which shall be designated by the Board to administer the Plan. The Committee shall be composed of such number of directors as from time to time are appointed to serve by the Board. Each member of the Committee, while serving as such, shall also be an independent member of the Board.
- (h) "Company" shall mean Isle of Capri Casinos, Inc.
- (i) "Participant" shall mean an individual designated as a participant hereunder by the CEO with the approval of the Committee.
- (j) "Payment Date" shall mean the date on which the Bonus for a Bonus Period is paid with respect to performance during the applicable Bonus Period, which date shall be no later than two and one half months after the last day of the Bonus Period.
- (k) "Performance Goal" shall mean such Bonus Period objective or objectives as determined by the Committee and set forth in Schedule A attached hereto for the applicable Bonus Period. Such objective or objectives may include EBITDA, EPS, net income, pretax profit targets and/or such other performance indicators or non-financial measures as determined by the Committee during a Bonus Period.

3. ADMINISTRATION

- (a) The Committee shall administer the Plan. The administration of the Plan shall include the power to:
 - (i) approve Participants' participation in the Plan.
 - (ii) establish, and change from year to year, a Participant's incentive opportunity under the Plan;
 - (iii) establish Performance Goals;
 - (iv) determine if and when any Bonuses shall be paid;
 - (v) authorize the payout of any Bonuses as the Committee shall determine from year to year;

- (vi) determine the amount, which may be calculated utilizing the allocations established in accordance with Section 7 hereof, and the form of the Bonus;
 - (vii) conclusively construe and interpret the Plan; and
 - (viii) establish rules and regulations and to perform all other acts it believes reasonable and proper, including the authority to delegate responsibilities to others to assist in administering the Plan.
- (b) Any decision made or action taken by the Committee arising out of or in connection with the interpretation and administration of the Plan shall be final and conclusive and binding on all persons.
- (c) Until such time as the Committee makes a determination to make payment of the Bonus hereunder with respect to the actual results compared to the Performance Goals for the immediately preceding Bonus Period and the Payment Date occurs, no Participant shall have any vested right to receive any amount which might be calculated as payable pursuant to the Plan. Furthermore, for any Bonus Period and up until the Payment Date, the Committee may cancel any Bonuses awarded or to be awarded under the Plan if a Participant conducts himself or herself in a manner which the Committee determines to be contrary to the best interests of the Company or the Participant loses any license issued by a gaming regulator due to violations of regulations.

4. ELIGIBILITY

- (a) Eligibility to participate under the Plan is limited to individuals who are key Corporate personnel whose duties and responsibilities provide them the opportunity to:
- (i) make a material and significant impact on the financial performance of the Company;
 - (ii) have major responsibility in the control of the Company's assets; and
 - (iii) provide critical staff support necessary to enhance the Company's performance.
- (b) Eligibility and designated levels of participation will be determined by the Committee. Such eligibility and level of participation may be revised and updated from time to time up until the 90th day following the first day of the applicable Bonus Period and thereafter only for unusual circumstances. The fixing of eligibility and level of participation shall not create any vested right in any Participant to receive a Bonus hereunder.

- (c) Participants whose position changes during the Bonus Period may have their Bonuses pro-rated based on changes to their normal Base Salary and/or their changes in responsibilities as determined by the Committee. As determined by the Committee, a Participant who joins the Company during the Bonus Period shall be eligible to receive a prorated annual Bonus so long as the Participant starts prior to the first day of the fourth fiscal quarter. Except as specifically provided herein, no Bonus shall be paid to any Participant unless the Participant is employed by the Company or one of its subsidiaries on the applicable Payment Date.

5. INCENTIVE TARGETS AND PAYOUT OPPORTUNITY

Participants in the plan will have a specific target incentive opportunity defined as a percentage of their Base Salary. A participant's Bonus payout could range between 50% of the target amount, assuming a threshold level of performance is achieved, to 150% of the target based on the achievement of the maximum Performance Goals. If the threshold performance level is not achieved, no incentive may be earned under this Plan. The specific incentive targets and payout ranges are set forth in Schedule A.

6. PERFORMANCE GOALS

For each Bonus Period, the Performance Goals on which a Bonus will be calculated shall be established by the Committee in its sole discretion. Such Performance Goals and targets may be revised periodically by the CEO subject to Committee approval. The following shall apply with respect to the Bonus for any Bonus Period:

- (a) The calculation will be determined using: (1) achievement of pre-determined Company financial goals, and (2) a discretionary assessment of performance by the Committee. Each of these factors will be independent of each other, and weighted in the Bonus calculation as set forth in Schedule A.
- (b) The Committee will set a threshold level of Corporate financial performance that must be achieved for a Participant to earn any Bonus for the applicable Bonus Period under the financial goal-based component of the Plan.
- (c) The Bonus for financial goals will be calculated by determining the variance from the predetermined target goal. The Committee will determine the minimum performance level required for earning the threshold Bonus and the maximum amount at which no additional Bonus will be paid.
- (d) For the portion of the Bonus based on the discretionary performance assessment, general performance criteria will be identified at the beginning of each Bonus Period. These performance criteria may include

Company performance, functional area performance or individual performance as recommended by the CEO and approved by the Committee. At the end of the Bonus Period a determination will be made as to the level of payout earned based on performance relative to the criteria identified at the beginning of the Bonus Period.

For any Bonus Period, the applicable Performance Goals shall be set forth in Schedule A hereto.

7. BONUS PAYMENTS

The Bonus for any Bonus Period shall be paid based on the achievement of the Corporate financial Performance Goals and the discretionary assessment. The Bonus payable for any Bonus Period shall be paid on the Payment Date and shall be subject to the following:

- (a) The portion of the Bonus for any Bonus Period based on the financial Performance Goals shall be paid if the financial Performance Goals are achieved (i.e., there is no discretion). The portion of the Bonus for any Bonus Period based on the discretionary assessment may be paid in the discretion of the Committee, regardless of whether the financial Performance Goals were achieved.
- (b) Except as otherwise specifically provided in Section 8, no Bonus shall be paid to a Participant on any Payment Date unless the Participant is employed by the Company or one of its subsidiaries on the applicable Payment Date.

8. TERMINATION OF EMPLOYMENT

In the event a Participant ceases to be employed by the Company or any subsidiary of the Company during a Bonus Period, the following shall apply:

- (a) If the Participant's employment terminates due to (i) normal retirement as described in the Participant's employment agreement with the Company, (the "Employment Agreement") or under a formal plan or policy of the Company, (ii) early retirement with the consent of the Committee, (iii) total and permanent disability as determined by the Committee or (iv) death, then the Participant shall be eligible for a pro rata portion of the Bonus for the Bonus Period. Any such Bonus shall be payable to the Participant (or, in the event of his death, his Beneficiary) on the Payment Date(s) that otherwise applies to payment of the Bonus for the Bonus Period in which his employment terminated. Notwithstanding the foregoing, the Participant shall not be entitled to any Bonus for any period after his employment terminates.

- (b) If the Participant's employment terminates due to any event other than as described in paragraph (a), the Participant's eligibility under the Plan shall be cancelled and terminated forthwith and no Bonuses shall be payable or accrued to or with respect to the Participant under the Plan, except as and to the extent the Committee may determine otherwise.
- (c) For purposes of the preceding provisions, it shall not be considered a termination of employment when a Participant is placed by the Company or subsidiary of the Company on military or sick leave or such other type of leave of absence, for a period of six months or less, which is considered as continuing intact the employment relationship of the Participant. For any such leave extending beyond six months, the Committee shall decide whether and when there has been a termination of employment.
- (d) The foregoing terms and conditions do not supersede the provisions of any Employment Agreement. Thus, notwithstanding the foregoing provisions of this Section 8, the terms and conditions of an Employment Agreement with respect to the foregoing matters will take precedence over the foregoing provisions of this Section 8.

9. AMENDMENT AND TERMINATION OF PLAN

The Board may suspend or terminate the Plan in whole or in part or amend it from year to year in such respects as the Board may deem appropriate and in the best interests of the Company.

10. UNFUNDED PLAN

The Plan, in so far as it provides for payments, shall be unfunded and the Company shall not be required to segregate any assets which may at any time be subject to Bonuses under the Plan. Any liability of the Company to any person with respect to any award under this Plan shall be based solely upon any contractual obligations which may be created under this Plan.

11. MISCELLANEOUS PROVISIONS

- (a) **Right to Continued Employment:** No person shall have any claim or right to be granted a Bonus under the Plan, and the grant of a Bonus under the Plan shall not be construed as giving any Participant the right to be retained in the employ of the Company or any subsidiary of the Company, and the Company expressly reserves the right any time to dismiss a Participant with or without cause, free from any liability or any claim under the Plan.
- (b) **Non-Transferability:** Except by will or the laws of descent and distribution, no right or interest of any Participant in the Plan shall be assignable or transferable and no right or interest of any Participant shall

be liable for, or subject to, any lien, obligation or liability of such Participant.

- (c) **Withholding Taxes:** The Company shall have the right to withhold from any payments payable to Participants under the Plan sufficient amounts to cover tax withholding from income and employment taxes and, if the amount of cash payment is insufficient, the Company may require the Participant to pay to it the balance required to be withheld.
- (d) **Plan Expenses:** Any expenses of administering this Plan shall be borne by the Company.
- (e) **Legal Considerations:** No person, including a Participant or his or her Beneficiary, shall have any claim or right to the payment of an award if, in the opinion of counsel for the Company, such payment does not comply with legal requirements or is opposed to governmental public policy.
- (f) **Other Plans:** Nothing contained herein shall prevent the Company from establishing other incentive and benefit plans in which Participants in the Plan may also participate.
- (g) **No Warranty of Tax Effect:** No opinion shall be deemed to be expressed or warranties made as to the effect for federal, provincial or local tax purposes of any Bonuses.
- (h) **Clawback.** Any Bonus paid under the Plan shall be subject to the general clawback policies of the Company.

DEVELOPMENT AGREEMENT

This Development Agreement (this "Agreement"), dated as of the latest date by the signatures below, which date is September 20, 2010 (the "Effective Date"), is made by and between City of Cape Girardeau, Missouri, a constitutional charter city and political subdivision of the State of Missouri under the name City of Cape Girardeau (the "City") and IOC-Cape Girardeau LLC, a Missouri limited liability company (the "Developer").

Recitals

WHEREAS, the Missouri Gaming Commission ("MGC") has announced that it will accept applications for the development of a riverboat gaming facility and related facilities and potentially prioritize an application for investigation and evaluation by the MGC, as provided in the Missouri Code of State Regulations, Title 11, Division 45, Chapter 4, Section 60 (11 CSR 45-4.060) ("Prioritization") for licensure utilizing the only available Class B gaming license in Missouri as of July 2010 (the "Last License"),

WHEREAS, in order to promote the general welfare and encourage capital investment and economic development within the City, on or about April 20, 2010 the City delivered to the MGC a letter of interest supporting the construction of a riverboat gaming facility and related facilities in the City.

WHEREAS, on or about April 29, 2010 Isle of Capri Casinos, Inc. ("IOC") delivered to the MGC a Letter of Interest expressing interest in the development of a gaming facility.

WHEREAS, IOC is a Delaware corporation that is an experienced builder and operator of riverboat and land-based gaming facilities, including three such facilities in Missouri.

WHEREAS, on July 8, 2010 the Council of the City held a public meeting during which interested parties, including IOC, presented conceptual plans for a gaming facility project to be located within the City.

WHEREAS, IOC formed a wholly-owned subsidiary, IOC-Cape Girardeau LLC, a Missouri limited liability company (the "Developer") to undertake and develop the Project.

WHEREAS, Developer proposes to submit an application to the MGC for the development of a riverboat gaming facility and related facilities (the "Project") as further described on the attached Exhibit A (the "Project Description") and depicted on the attached Exhibit B (the "Conceptual Plan") on land within the City situated near the Mississippi River at approximately River Mile 52.6 as described on the attached Exhibit C (the "Project Site").

WHEREAS, the City has determined that the Project is an economic development opportunity for the City, would create jobs and tax revenue, and the Project would serve the public purposes and interests of the City and its residents.

Agreement

Now, therefore, incorporating the Recitals above, and in consideration of the mutual promises and benefits contained herein, the City and Developer agree as follows:

1. Designations. During the Term of this Agreement and subject to the conditions herein, as to the Last License:

1.1. Developer. The City designates the Developer as the only preferred developer for the development of a gaming facility in the City and grants to Developer the exclusive right to develop a gaming facility within the Project Site during the term of this Agreement.

1.2. Site. The City designates the Project Site as the only preferred site for the development of a gaming facility in the City and grants to Developer the right to develop a gaming facility within the Project Site during the term of this Agreement.

1.3. No Other Preferred Developer or Site. During the time that Developer is the preferred developer and the Project Site is the preferred site for a gaming facility in the City, and prior to the MGC granting Developer all necessary licenses for operation of the Project, City will not enter into any agreement with any person or entity other than Developer or regarding any other location other than the Project Site that would designate or could be construed to designate the other person or entity as a preferred developer or the other location as a preferred site for the development of a gaming facility.

2. Term. The term of this Agreement shall commence on the Effective Date and continue until the earlier to occur of:
(a) the first (1st) anniversary of the opening of a gaming facility that has received the Last License in another jurisdiction outside the City; provided that nothing in this Agreement shall be applied to limit or preclude the City in any way from designating a preferred developer or taking any other actions as they may relate to such additional or available license other than the Last License; or
(b) termination by either party pursuant to a right of termination in this Agreement.

3. Developer Commitments. Subject to satisfaction of the Conditions Precedent as described in Section 4, Developer agrees to take the following actions ("Developer Commitments") at Developer's cost and expense.

3.1. MGC Application. Developer shall, on or before September 1, 2010 (or by such later date as the MGC may stipulate for submission of applications for the Last License) submit a substantially complete application to the MGC for the Last License (as updated in accordance with Missouri gaming regulations from time to time, the "Application"). This action is not subject to satisfaction of the Conditions Precedent.

3.2. Rezoning Application. No later than six (6) months after Prioritization, Developer shall file a completed application with the City requesting rezoning of the Project Site to a Planned Development District "PD District" (or such other zoning district as Developer and City agree will accommodate the Project) for the uses set forth

in the Project Description ("Rezoning"). Developer shall comply with the City zoning procedures and other Applicable Requirements (defined in Paragraph 3.3).

3.3. Site Plan Submission. No later than the later to occur of (a) sixty (60) days after Prioritization, or (b) sixty (60) days after Rezoning, Developer shall submit to the City a Preliminary Site Plan for the Project. The Preliminary Site Plan shall be substantially consistent with the Project Description, the Conceptual Plan and the Application, and shall be in accordance with all applicable federal, state and City laws, and all applicable City codes, procedures, requirements, and specifications, including but not limited to applicable City street and improvement specifications ("Applicable Requirements"). No later than the later to occur of (a) sixty (60) days after Prioritization, or (b) sixty (60) days after City approval of the Preliminary Site Plan, Developer shall submit to the City a Final Site Plan in accordance with all Applicable Requirements and in conformance with the approved Preliminary Site Plan and such amendments as approved by the City. The subdivision, resubdivision, or consolidation of lots and establishment of public rights-of-way, required for the Project shall be in accordance with the specifications and requirements of the City Subdivision Code: Chapter 25, and all other Applicable Requirements.

3.4. Construction Commencement. No later than the later to occur of (a) sixty (60) days after Prioritization, or (b) six (6) months after Rezoning, or (c) six (6) months after Final Site Plan approval, Developer shall submit completed applications for construction approvals and permits for the first phase of construction. Developer can elect to submit applications in a phased manner as is normal and customary for phased projects, with the first phase being at a minimum site, footings and foundation. No later than six (6) months after receiving approvals and permits for footings and foundation, Developer will submit completed applications for the core and shell of the casino building and for parking. Submissions shall be as provided for and in compliance with all Applicable Requirements. Developer shall commence construction of the Project ("Construction Commencement") no later than the later to occur of (a) sixty (60) days after Prioritization, or (b) ninety (90) days after receipt of all required construction approvals and construction permits, including floating casino floor approval from the American Bureau of Shipping.

3.5. Demolition Prior to Construction Commencement. Developer shall be responsible for demolishing and removing all above-ground structures within the Project Site not necessary for the Project, subject to compliance with all Applicable Requirements related to such demolition and removal. Developer may remove or leave in place below-ground structures, subject to compliance with all Applicable Requirements relating thereto. In Developer's sole discretion, demolition and removal may occur prior to Construction Commencement and shall not constitute Construction Commencement.

3.6. Parcel Acquisition.

3.6.1. Project Site. The parcels and area that constitute the Project Site are shown on Exhibit C. Developer represents that Developer currently owns or

has under contract with the right to purchase a majority of the parcels that constitute the Project Site. Developer shall make reasonable and good faith efforts to acquire fee ownership of all the parcels set forth on Exhibit C within six (6) months after Prioritization.

3.6.2. Areas for Public Infrastructure Improvements. The parcels or portions of parcels that constitute areas for public infrastructure improvements are shown on Exhibit D. Developer shall make reasonable and good faith efforts to acquire fee simple ownership of the parcels or portions of parcels set forth on Exhibit D within six (6) months after Prioritization. To the extent that plans approved by the City necessitate acquisition of additional or different parcels or property interests, Developer and the City agree that Exhibit D shall be amended to include such necessary parcels and property interests.

3.7. Financing. Developer shall pursue financing for the Project reasonably acceptable to Developer. No public financing or abatement of taxes of any kind is authorized by this Agreement.

3.8. Public Infrastructure Improvements.

3.8.1. Street Improvements. Street improvements that constitute public infrastructure improvements (the "Street Improvements") include: (a) realignment and improvements to Main Street and Chestnut Street in accordance with the Conceptual Plan and as approved on a Final Site Plan in accordance with all Applicable Requirements (such realignment and improvements are collectively referred to as the "Main and Chestnut Improvements"); and (b) roadway improvements, relocation of overhead utilities, and streetscape improvements, landscaping and decorative lighting consistent with the current Downtown Business District, all along Main Street from Broadway to Mill, as reasonably agreed upon by the City and Developer. Developer shall have the right but not the obligation to request each of the improvements in (b). Unless otherwise provided pursuant to the Infrastructure Fund described in Paragraph 3.8.3, Developer shall construct and pay all costs relating to the Street Improvements, including but not limited to all acquisition of rights-of-way, construction, legal, engineering, surveying, and other costs. Construction of the Main and Chestnut Improvements shall be subject to such City conditions and requirements as are necessary to maintain safe and efficient traffic flow and emergency access at all times and shall be completed and qualified for acceptance by the City prior to the commencement of gaming activities on the Project Site or occupancy of any building within the Project Site.

3.8.2. Construction of Utilities. Unless otherwise provided pursuant to the Infrastructure Fund described in Paragraph 3.8.3, Developer shall construct and pay all costs relating to location, relocation and construction of Off-Site Utility Improvements. "Off-Site Utility Improvements" shall include stormwater and sanitary sewer mains, sewage lift stations and water lines required for service to the Project to the boundary of the Project Site in conformance with all Applicable

Requirements and final improvements plans approved by the City. In addition, Developer at its cost shall be responsible for the location, relocation and construction for all other utilities to the Project Site and for all utilities on the Project Site, unless otherwise specifically provided pursuant to the Infrastructure Fund described in Paragraph 3.8.3.

3.8.3. Infrastructure Fund. The City and Developer shall negotiate in good faith to consider establishment of a fund (the "Infrastructure Fund") to provide an alternative mechanism to pay the costs of the Street Improvements and the Off-Site Utility Improvements and such other public improvement costs and other lawfully included costs as may be agreed including acquisition of property for public improvements (with fund establishment and financing costs, the "Infrastructure Costs"). Unless otherwise agreed, a funding agreement between the City and Developer may provide that: (a) the City and not Developer shall construct and pay all costs relating to the Street Improvements and the Off-Site Utility Improvements in accordance with all Applicable Requirements; (b) Developer shall reimburse the City for the Infrastructure Costs by paying to the City one-half of one percent (0.5%) of Developer's gross gaming revenue from the Project annually until the City is reimbursed in full for the Infrastructure Costs plus interest and other costs as agreed; (c) when or before establishment of the Infrastructure Fund, Developer's parent company, Isle of Capri Casinos, Inc., shall deliver to City an acceptable binding and enforceable writing or other mechanism that guarantees Developer's payment of the Infrastructure Costs.

3.9. Traffic Study. Developer has commissioned at Developer's cost and expense a traffic study ("Developer's Traffic Study") to comply with the requirements of the MGC and the City and to identify traffic impacts of the Project considering impacts up to ten (10) years from the anticipated date of Construction Commencement based upon the Project Description and the Conceptual Plan and any updated submissions or approvals. Developer shall promptly make Developer's Traffic Study available to the City. The City will accept the results of Developer's Traffic Study unless the City reasonably determines that Developer's Traffic Study contains material errors or omissions. If the City reasonably determines that Developer's Traffic Study contains material errors or omissions or does not comply with Applicable Requirements, the City may but is not obligated to (a) require Developer to update Developer's Traffic Study, or (b) commission its own traffic study, to address the material errors or omissions or compliance with Additional Requirements (the "City's Traffic Study") and Developer shall pay the cost of the City's Traffic Study. If the Developer's Traffic Study or the City's Traffic Study recommends improvements or alterations necessary to address legitimate public safety concerns or to prevent material diminishment in the service level in existence prior to Construction Commencement, Developer shall be obligated to pay for or construct such improvements or alterations as directed by the City in conformance with all Applicable Requirements. Such improvements or alterations may be included in the Infrastructure Fund, if established.

3.10. Taxes. Developer shall pay all taxes assessed against the Project pursuant to applicable law, including but not limited to gaming taxes, sales taxes, business license

taxes, and personal property and real estate taxes. Developer reserves the right to appeal, contest, object to or litigate any new tax or increase in tax rate that is enacted after the Effective Date, or any property tax assessment imposed after the Effective Date, pursuant to applicable law.

3.11. Administrative Reimbursement Fee. Within three (3) business days after the Effective Date, Developer shall pay to the City a non-refundable fee of One Hundred Fifty Thousand Dollars (\$150,000) to reimburse and compensate the City for the City's time, expense and resources committed to the review, negotiation and analysis of this Agreement, Developer's proposal, the designation of Developer as the preferred developer as effected herein, and submissions by the City to the MGC, through September 30, 2010. Nothing in this Agreement shall be deemed to waive any tax, license, permit fee, user charge, or generally applicable obligation otherwise lawfully imposed by the City. Payment of this fee is not subject to satisfaction of the Conditions Precedent.

3.12. Other Payments from Developer.

3.12.1. Partial Consideration Payment. In partial consideration of the actions and Commitments of City, including the transfer of approximately eleven (11) acres of City property and public rights-of-way as described in Paragraph 5.4 and Exhibit E, Developer shall pay to City no later than City's transfer of title to the City property described in Paragraph 5.4 and Exhibit E Two Million Dollars (\$2,000,000) to be used by the City as follows: (1) up to One Million Dollars (\$1,000,000) shall be used by the City for costs relating to improvements to Broadway Street; and (2) the remainder shall be used by the City for other public improvements or other expenditures having a public purpose.

3.12.2. Riverfront Region Economic Development Fund. Developer shall pay monthly three-tenths of one percent (0.3%) of Developer's gross gaming revenue from the Project to the City to be held in a special fund (the "Riverfront Region Economic Development Fund") (the "Riverfront Fund") for improvements, economic development and other public purposes benefiting the downtown commercial and riverfront areas of the City, including but not limited to the area between the Downtown Business District and the Project Site. The City may draw on and expend the funds from the Riverfront Fund directly or may contract with Old Town Cape, Inc., a Missouri non-profit corporation or other non-profit organizations agreeing to expend the funds for such specified public purposes. At least 70% of the expenditures from the Riverfront Fund shall go towards capital improvements (including planning, design, implementation, and construction). Developer's monthly payment to the Riverfront Fund required under this paragraph shall be required only for such months that the City funds, or makes a binding commitment to fund, an equal payment to be deposited in the Riverfront Fund. Notwithstanding any requirement herein to the contrary, in lieu of Developer's first Two Hundred Fifty Thousand Dollars (\$250,000) in payments to the Riverfront Fund, Developer shall pay to the City on or before Construction Commencement the amount of Two Hundred Fifty Thousand

Dollars (\$250,000) which shall be used by the City for wayfinding signage costs as provided for in Paragraph 5.3.4, with any remainder, if any, being deposited in the Riverfront Fund. That prefunded amount of \$250,000 represents 0.3% of Developer's gross gaming revenue from the Project of \$83,333,333. After Developer's gross gaming revenue from the Project exceeds \$83,333,333, Developer will begin to make the monthly payments to the Riverfront Fund. City may, but shall not be obligated to, match into the Riverfront Fund for the first \$250,000 payment. If the Project Site becomes part of a Community Improvement District then Developer can elect to terminate Developer's payment obligation pursuant to this paragraph upon written notice to the City for the period of time that the Project Site is part of the Community Improvement District.

3.12.3. Community Improvement District. If a Community Improvement District ("CID") that includes all or a majority of the area of Special Business District No. 2 of the City of Cape Girardeau is established pursuant to Sections 67.1401 to 67.1571 RSMo, as amended, and the CID does not include the Project Site, then during the term of the CID, Developer shall make monthly to the City supplemental cash payments in an amount equal to: (1) the revenues in each such month of the Project that would be subject to the CID sales tax if the Project was included within the CID, multiplied by (2) a percentage equal to the sales tax rate levied by the CID up to a maximum rate of one percent (1.0%). Each such supplemental payment shall be made contemporaneous with payments of monthly sales tax receipts due to the State of Missouri Department of Revenue. City shall deposit the monthly supplemental payment into the Riverfront Fund for uses authorized for the Riverfront Fund but such deposit shall not constitute the City's funding to the Riverfront Fund described in Paragraph 3.12.2. The parties hereby agree that Developer's obligation to make the monthly supplemental payments shall constitute a lien on the Project in favor of the City.

3.13. Dedication of Property. Developer shall dedicate and transfer to the City all property required for the Main and Chestnut Improvements and all public streets and easements approved on the Final Site Plan, including the properties and property interests shown on Exhibit D, by subdivision plat and by special warranty deed with title insurance if any requested by City paid by Developer or by general warranty deed, at such time as required by the City after Developer completion of all required improvements thereon in conformance with Applicable Requirements, which time shall be prior to the commencement of gaming activities on the Project Site; provided that the City may authorize a delay in completion of one or more transfers and completion of improvements therein if such delay does not threaten public safety or place the public interest at risk. The form of such transfer and deed shall be as reasonably approved by the City.

3.14. Cooperation. Developer shall cooperate with City in all respects to ensure that the City can timely meet its Commitments and fully obtain all benefits intended by this Agreement.

3.15. Subject to Change. Developer Commitments, including the commitment to pursue the development of the Project, are subject to change due to the Conditions

Precedent described below and to "force majeure" events beyond Developer's reasonable control precluding satisfaction of the Commitments including: (a) labor disputes, fire, unusual delays in transportation or supplies, adverse weather conditions not reasonably anticipated, site conditions not reasonably anticipated, and unavoidable casualties or other acts of God; and (b) change or imposition of law making satisfaction of the Commitments impossible or unlawful.

3.16. Development Generally. Developer shall diligently pursue in good faith the development of the Project in general accordance with this Agreement, the information presented as part of the Application and the Project Description. Developer shall further diligently pursue in good faith the satisfaction of the Conditions Precedent. Nothing in this subparagraph shall preclude Developer from exercising its rights of termination as provided in this Agreement.

4. Conditions Precedent. Development of the Project requires satisfaction of the conditions set forth below ("Conditions Precedent," each a "Condition Precedent"). The Conditions Precedent are precedent to commencement of construction of the Project ("Construction Commencement") or precedent to continuation of construction of the Project after commencement of construction ("Continuation"). Developer may, in its sole and absolute discretion, waive satisfaction of any Condition Precedent but such waiver must be in writing signed by Developer. If a Condition Precedent is not satisfied in a timeframe reasonable to Developer, Developer may, in its sole and absolute discretion, notify the City that the Conditions Precedent have not been satisfied and this Agreement shall terminate and become null and void and Developer and the City shall have no further obligations to each other under this Agreement. Notwithstanding anything in this Agreement to the contrary, upon issuance of the Class B License from the MGC, all Conditions Precedent shall be deemed to have been satisfied or waived by Developer.

4.1. Gaming Commission Approval. As a Condition Precedent to Construction Commencement, the MGC selects Developer and the Project for Prioritization. As a Condition Precedent to Continuation, the MGC grants Developer all necessary licenses including but not limited to Key Person and Level I.

4.2. Other Governmental Approvals. As a Condition Precedent to Construction Commencement or to Continuation, as the case may be, Developer obtains or is able to obtain all other governmental approvals and permits and all other official and necessary approvals and permits.

4.3. Voter Approval. As a Condition Precedent to Construction Commencement, a majority of the voters of the City voting in the November 2, 2010 election must approve the question that will appear on the ballot asking the voters to allow the licensing of excursion gambling boats or floating facilities in the City. In the event a majority of the voters of the City voting in the election fail to approve the question, Developer may terminate this Agreement and abandon the Project. In addition, as a Condition Precedent to Continuation, if any future ballot measure, not in effect as of the Effective Date, is certified for election and such ballot measure jeopardizes Developer's ability to construct and operate the Project, as determined by Developer in

Developer's sole and absolute discretion. Developer may terminate this Agreement and abandon the Project.

4.4. Acquisition of Property within the Project Site. As a Condition Precedent to Construction Commencement, Developer or a related entity obtains fee simple ownership of all real property (including but not limited to all options held by third parties, fee interests, leasehold interests, tenant-in-common interests, easement rights and such other like or similar interests, both public and private) and existing improvements on the Project Site, excluding new public rights-of-way necessary for the implementation of the Project, subject only to easements, conditions and restrictions acceptable to Developer.

4.5. Inspections. As a Condition Precedent to Construction Commencement, Developer in its sole and absolute discretion is satisfied with the results of Developer's examination and inspection of the Project Site, including public land and rights-of-way within the Project Site (collectively, the "Inspections"). The Inspections may include, without limitation, title, survey, environmental assessments, soil studies, historical, archeological, cultural, architectural, mechanical and engineering studies, and any inspections required by any governmental agency. Developer and Developer's representatives, agents and contractors, at Developer's sole cost and expense, may examine and inspect the Project Site, including public land and rights-of-way within the Project Site, and may disturb the Project Site, including drilling for samples, in conjunction with the Inspections. If this Agreement is terminated, Developer shall return all areas of the Project Site disturbed by Inspections to substantially the same condition existing prior to such disturbance.

4.6. Levee. As a Condition Precedent to Construction Commencement, the North Main Street Levee and the Main Street Levee (the "Levee System") must: (a) be certified by a qualified independent third party inspector; (b) meet all the design and maintenance requirements of the U.S. Army Corps of Engineers for a 500 year levee; (c) enable Developer to obtain flood insurance at rates acceptable to Developer; and (d) be otherwise acceptable to Developer's lenders and insurers for issuance of financing.

4.7. Absence of Material Adverse Change. As a Condition Precedent to Construction Commencement and to Continuation, no Material Adverse Change has occurred. For purposes of this Agreement, "Material Adverse Change" means any event, change, development, or occurrence that, individually or together with any other event, change, development, or occurrence, is materially adverse to Developer's business, condition (financial or otherwise), assets or operations, or to the Project, and shall include, but not be limited to: (a) any event or economic condition that causes the Project to no longer be economically viable or financeable; (b) economic or credit conditions that result in substantial financial costs to Developer that are not anticipated by Developer as of the Effective Date; or (c) costs associated with Developer's acquisition of private land, public land or rights-of-way, or costs to be reimbursed by Developer to the City pursuant to this Agreement, or hidden defects and/or substantial requirements for on-site or off-site improvements, that in Developer's sole and absolute discretion make the Project no longer economically feasible.

4.8. No Legislative Changes. As a Condition Precedent to Construction Commencement and to Continuation, there is no significant new legislative or regulatory change which would make materially more burdensome or costly the obligations of Developer related to the Project or which make the Project no longer economically feasible.

4.9. No Litigation. As a Condition Precedent to Construction Commencement and to Continuation, no legal action, including but not limited to court litigation or administrative process, is initiated or pending, including without limitation action against Developer, the City, the MGC or the State of Missouri, or any political subdivision of the State of Missouri, challenging the validity or seeking to enjoin the performance of, or otherwise arising out of the subject matter of, this Agreement or any provision of this Agreement.

4.10. Utilities. As a Condition Precedent to Construction Commencement:

4.10.1. Construction and relocation of all utilities necessary for service to the Project shall be economically feasible as determined by Developer, including without limitation, removal or removal and relocation of all City owned utilities in the Project Site at Developer cost and vacation or vacation and relocation of all City utility easements that affect the Project Site at Developer cost.

4.10.2. All utilities to the Project Site, including electricity, gas, water, sanitary sewer, storm sewer, cable and telecommunications, shall be available, in sufficient capacity to supply the Project as reasonably determined by Developer, and at Developer cost, which cost shall be economically feasible as determined by Developer.

4.11. Zoning. As a Condition Precedent to Construction Commencement:

4.11.1. Zoning shall have been amended to re-zone the Project Site as provided in the rezoning application submitted by Developer in accordance with Paragraph 3.2.

4.11.2. City has upon re-zoning acknowledged that the Project Site is properly zoned to allow the construction and operation of the Project and for gaming activities.

4.12. City Commitments. As a Condition Precedent to Construction Commencement or to Continuation, as the case may be, the City has fulfilled the City Commitments or has obtained definitive agreements to accomplish the City Commitments.

5. City Commitments. The City agrees to take the following actions and complete each of the following actions by June 30, 2011 or demonstrate substantial progress towards completing such actions by June 30, 2011, unless a different date is identified or implied in this Agreement for the action. Any reasonable costs incurred by the City from and after October 1, 2010 in fulfilling the City Commitments, except for costs of City staff time and except as may

otherwise provided in this Section 5, shall be the responsibility of Developer which shall be paid by Developer to City within thirty (30) days of receipt of invoice accompanied by reasonably documented evidence of such costs.

5.1. Zoning. City shall take all necessary action to promptly process to a final decision the rezoning application submitted by Developer pursuant to Section 3.2, subject to all Applicable Requirements, and including necessary action for initiating zoning and final action zoning any public rights-of-way within the Project Site as described in Section 5.3.1 and requested in the rezoning application. Final legislative action on a completed zoning application submitted pursuant to Paragraph 3.2 shall be taken not later than six (6) months after submission of a completed application, unless otherwise mutually agreed by Developer and City.

5.2. Signage. Signage shall be as approved on the Final Site Plan. If variances are sought for signage, such variances shall be requested in the zoning application, or as may otherwise be pursued as permitted by Applicable Requirements. Developer's signage on the Project Site shall comply with all Applicable Requirements. The City agrees that the zoning approval shall not control the content of the words or images of such signage, except as may be governed by the Applicable Requirements.

5.3. Streets and Traffic.

5.3.1. Vacation. City shall vacate all public streets, alleys, roadways, driveways and sidewalks in the Project Site as and when reasonably requested by Developer after the Conditions Precedent have been satisfied and as approved on the Final Site Plan.

5.3.2. Parking Prohibition. City, upon issuance of a Class B License from the MGC for the Project Site, shall enact an ordinance to eliminate on-street public parking on Main Street and Chestnut Street between Broadway and the northern boundary of the Project Site where Chestnut Street crosses the levee. The City shall also prohibit such parking during construction of the Project.

5.3.3. Dedication. City shall accept public dedication of all property as provided for in Paragraph 3.14.

5.3.4. Wayfinding Signage. City shall cooperate with Developer to develop comprehensive signage plans, based on the Cape Girardeau Wayfinding Design Documents and Master Plan dated June 21, 2010, to establish wayfinding signage providing adequate directions to the Project. The City shall request that the State of Missouri Department of Transportation install an adequate number of directional signs related to the Project on the highways and state-controlled roads leading to the City and the City shall use its reasonable efforts to obtain approval of such requests. City shall pay the costs of all wayfinding signage from the Two Hundred Fifty Thousand Dollars (\$250,000) paid by Developer to City pursuant to Paragraph 3.12.2 and not to exceed that amount, and City shall use its

reasonable efforts to seek grant monies that are available for such signage packages.

5.4. Property. City shall convey all of its property right, title and interest in the properties shown on Exhibit E to Developer at such time as Developer makes the payment to the City set forth in Section 3.12.1 on such closing date as is mutually agreeable by City and Developer, but in no event later than sixty (60) days after Prioritization of Developer occurs. After transfer, and until the Main and Chestnut Improvements are completed and dedicated to the City, Developer shall provide binding accommodation for alternative emergency access and other necessary traffic routing as may be reasonably required by the City due to the transfer from public ownership of the properties shown on Exhibit E.

5.5. Rights-of-Way Acquisition; Condemnation. Developer shall make reasonable and good faith efforts to acquire for the City any property or any interest in property necessary for public infrastructure improvements including as set forth on Exhibit D and as described in the Conceptual Plan and finalized on final improvement plans approved by the City, including without limitation, any tenant's or lessee's interest in any lease affecting all or a portion of such property. The City shall control the form of deed of any acquisition. If Developer is unable to acquire any such property through good faith and reasonable efforts, Developer shall notify the City, in writing, that the City should undertake negotiations to acquire the property as prescribed by Chapter 523 RSMo and other Applicable Requirements, and if unable to acquire the property by such means, then to initiate eminent domain proceedings to acquire such property or interest in the property. Subject to satisfaction of all Applicable Requirements, the City shall initiate such proceedings within fifteen (15) business days after such notification and subject to compliance with all Applicable Requirements for such condemnation. Developer shall reimburse the City for all costs and expenses of the acquisition of the property and for all legal expenses involved in the acquisition, including but not limited to the negotiated price, settlement or the condemnation award relating to any and all such parcels, and any judgment thereafter, interest, taxes to be paid at the time of acquisition, court costs, filing fees, title work fees, appraisal fees, environmental inspection fees, investigation or engineering of alternative locations, relocation assistance costs, abandonment costs, legal fees, publication costs, and all administrative and other expenses incurred in connection with the acquisition of the parcels. Prior to commencement of condemnation proceedings, the City may require Developer to deposit funds with the City, in amounts reasonably estimated by the City to address anticipated total or incremental costs, and to be held by the City and drawn upon by the City for reimbursement under this Paragraph. Any such deposited funds not expended pursuant to this Paragraph shall be returned to Developer. Under no circumstances shall this section be construed to authorize or require City condemnation of any parcel solely for economic development purposes as defined in Section 523.271.2 RSMo.

5.6. Business License. City represents, warrants and covenants that the City's business license tax does not apply to gross receipts of gaming revenues from the Project.

5.7. Support and Cooperation. The City shall:

5.7.1. Communicate the City's support for the Developer and the Project as the preferred developer and the preferred gaming facility to the MGC and other governmental entities and agencies and to groups and individuals and in public or private forums, all as reasonably requested by Developer.

5.7.2. In a timely fashion act on all completed applications for permits and approvals from the City that are required for the Project to facilitate completion of the Project in the timeframes set forth in Developer's Application to the MGC, and as the Application may be amended from time to time, including without limitation timely review of the Preliminary and Final Site Plans, and the City shall take final action consistent with Applicable Requirements.

5.7.3. Cooperate in good faith with Developer.

5.7.4. Promptly respond to any requests or notices received by the City from Developer.

5.7.5. Consider in good faith any request for any variation from or amendment to the terms of this Agreement or documents produced in connection with this Agreement that may be reasonably necessary to complete the Project.

6. Changes. Nothing herein shall preclude Developer from making changes to the Project, subject to all Applicable Requirements, as may be necessary or desirable to the Developer, to enhance the economic viability of the Project or otherwise, so long as such changes do not materially change the Project as a gaming facility and related uses nor materially deviate from the information contained in the Application to the MGC and the Project Description.

7. Assignment. Developer may transfer, assign or change ownership of this Agreement or Developer's interest in and to some or all of the Project Site (each, a "Transfer") without the prior written consent of the City to: (a) a majority-controlled subsidiary or parent entity; (b) any entity it controls, is controlled by, or is under common control with; (c) any entity in which it has a majority interest or of which it is manager; or (d) any entity upon a reasonable demonstration by Developer of the proposed transferee's or assignee's experience and financial and legal capability to undertake and complete the Project and perform Developer's obligations under this Agreement (each, a "Permitted Transferee"); provided that any the recipient of any Transfer first delivers to the City a binding and enforceable writing that assumes and agrees to perform all of the obligations of Developer as developer under and pursuant to this Agreement as of the date the Transfer. All other Transfers shall require prior written consent of the City, not to be unreasonably withheld. Developer shall promptly provide the City prior notice of such Transfer. Developer shall be relieved of any obligations under this Agreement arising after a Transfer to a Permitted Transferee, provided that Developer is not in default of any obligation herein. Permitted Transferee, however, shall be fully subject to the terms of this Agreement as the Developer. Developer may collaterally assign its interest in this Agreement or the Project Site as security to a reputable lender without the prior written consent of the City. The City may not transfer, assign or change ownership of this Agreement. During any time Developer holds a Class B license for the Project, no consent of the City is required for a Transfer, provided: (a)

Developer may not transfer, assign or change ownership of this Agreement without the prior consent of the MGC; (b) Developer may not transfer, assign or change ownership of Developer's interest in and to some or all of the Project Site without the prior consent of the MGC; and (c) Developer shall provide the City notice of any proposed transfer, assignment or change of ownership prior to Developer provides notice of such to the MGC; and (d) the recipient of any Transfer first delivers to the City a binding and enforceable writing that assumes and agrees to perform all of the obligations of Developer as developer under and pursuant to this Agreement as of the date the Transfer.

8. Insurance. Developer will cause there to be insurance as hereinafter set forth at all times during the process of constructing the Project and, from time to time at the request of the City, furnish the City with proof of payment of premiums on:

8.1. Commercial general liability insurance (including premises operations, independent contractors, operations of subcontractors, completed operations and contractual liability insurance) together with an owner's and contractor's policy, with limits against bodily injury and property damage of not less than Three Million Dollars (\$3,000,000) for each occurrence (to accomplish the above required limits, an umbrella excess liability policy may be used). This policy shall be written on ISO occurrence form CG 00 01 96 (or substitute form providing equivalent coverage) and shall name the City as an additional insured for coverage of not less than the sovereign immunity limits as set forth in §537.610 R.S.Mo. with proof of such being delivered to the City and providing for notice to the City at least thirty (30) days prior to any cancellation; and

8.2. Workers' Compensation insurance, with statutorily required coverage, and all other insurance as may be required by law.

9. Damage, Destruction, Condemnation or Eminent Domain.

9.1. If all or any material part of the Project or the Project Site is damaged, destroyed or taken by condemnation or power of eminent domain, excluding such condemnation as contemplated by Paragraph 5.5, Developer shall notify the City and, at Developer's choice, either (a) cease the use of the property as a gaming facility and this Agreement shall terminate and be null and void and Developer and the City shall have no further obligations to each other under this Agreement, or (b) Developer shall continue with the Project.

9.2. If less than a material part of the Project or the Project Site is damaged, destroyed or taken by condemnation or power of eminent domain, Developer shall notify the City, this Agreement shall continue in full force and effect, and Developer shall continue with the Project.

9.3. For purposes of this Section 9, "material part of the Project or the Project Site" is defined as a part that substantially impairs Developer's access to or intended use of the Project or the Project Site.

10. Compliance. Developer and the City will comply with all applicable federal, state and local laws, rules, regulations and ordinances, including but not limited to state statutes and

regulations pertaining to gaming. Developer shall as a condition of this Agreement provide such certification and documentation as may be required by state or federal law, including regarding immigration compliance, in such time frames as may be required by state or federal law or reasonably required by the City for execution, validation or enforcement of this Agreement.

11. Indemnification. Developer hereby covenants, warrants and agrees to indemnify and save the City and its respective officials, officers, agents, attorneys, employees and representatives harmless from and defend against (with legal counsel selected by the City and reasonably acceptable to Developer) all claims, demands, costs, liabilities, damages or expenses, including attorneys' fees, by or on behalf of any person, firm or corporation arising from: (1) the conduct or management of, or from any work, actions or omissions of Developer relating to the Project; or (2) any condemnation, acquisition or transfer of land under this Agreement, including, but not limited to, any environmental condition or use of such land; or (3) from any action or inaction of City pursuant to this Agreement or any breach or default of this Agreement by Developer; or (4) any claim, demand, dispute or litigation by any third party relating to this Agreement or the Project, or any actions taken relating thereto by City pursuant to the terms of this Agreement, including, but not limited to, any lawsuit related to the election referenced in Paragraph 4.3, or relating to any City approval, ordinance or action taken in furtherance of or under obligation of this Agreement. The foregoing indemnification obligations shall survive termination of this Agreement for any reason.

12. Public Liability Limited. The parties hereto agree that neither the City nor any of its respective officials, officers, agents, attorneys, employees, or representatives shall have any liability in damages or any other monetary liability to Developer or any affiliate, or successor, assign, heir or personal representative in respect of any suit, claim, or cause of action arising out of this Agreement or the commitments contemplated herein. No official, officer, agent, attorney, employee, or representative of the City shall be personally liable to Developer or any affiliate, or successor, assign, heir or personal representative arising from any default or breach by any party under this Agreement or any commitments contemplated herein.

13. Notices. Notices or other communications which are required or may be given under this Agreement shall be in writing, delivered personally or by courier service or by certified mail to the address indicated for each party, or to such other address as designated by a party by notice to the other party. The date of notice shall be the date of delivery or refusal of delivery.

14. Time of the Essence. Time is of the essence in the performance of all obligations under this Agreement. Nevertheless, if a deadline or day for performance is a Saturday, Sunday or legal holiday, the deadline or day for performance will be the next business day.

15. Entire Agreement. As of the Effective Date, this Agreement constitutes the entire agreement between the City and Developer regarding development of the Project and there are no other covenants, agreements, promises, terms or provisions, either oral or written, between them concerning the Project other than those set forth in this Agreement.

16. Binding Benefit. This Agreement is binding upon and shall inure to the benefit of the parties hereto, and their successors, heirs, personal representatives and permitted assigns.

17. No Police Power Limitation. Nothing in this Agreement shall be construed to surrender or waive the City's police powers or to contract away any of its governmental functions or authority. This Agreement shall be interpreted in light of inherent limitations placed upon the City as a municipal corporation which requires it to retain such police powers to protect the health, welfare and safety of the public. Furthermore, nothing in this Agreement shall be interpreted to contradict any federal or state law.

18. Opportunity to Cure. In the event either party fails to timely satisfy a Commitment or breaches an obligation herein, or prior any party exercising a right of termination of this Agreement for any reason, such party shall have a period of thirty (30) days from receipt of written notice of such failure or breach, or intent to terminate, to cure such default or termination basis before termination or a remedy for default may be invoked. Where the basis for termination or default is not cured within the thirty (30) day period, the party declaring the default or termination may elect to accept a legally binding commitment to cure in its sole discretion.

19. Enforcement by City. In the event that Developer fails to make a monetary payment required by this Agreement or otherwise fails to comply with any material term herein, the City may, in addition to any other remedies available at law or in equity, withhold permits and approvals for the Project until such compliance is secured and shall be entitled to any costs of enforcement of this Agreement, including reasonable attorneys fees, in the event that Developer is determined judicially to have violated the terms of this Agreement. Nothing herein shall preclude the Developer from contesting the existence City's determination of Developer's noncompliance, including as may be the basis for such withholding of permits or approvals for the Project.

20. Conflict of Interest. No member of the City Council who has any power of review or approval of any of Developer's undertakings, or of Developer's contracting for goods or services for the Project Site, shall participate in any decisions relating thereto which affect that member's personal interests or the interests of any corporation or partnership in which that member is directly or indirectly interested. Any person having such interest shall immediately, upon knowledge of such possible conflict, disclose, in writing, to the City Council the nature of such interest and seek a determination by the City Council with respect to such interest and, in the meantime, shall not participate in any actions or discussions relating to the activities herein proscribed.

21. Representations of Developer. Developer hereby represents and warrants that it has full and lawful right, power and authority, under current applicable law, to execute, deliver and perform the terms and obligations of this Agreement and all of the foregoing have been or will be, duly and validly authorized and approved by all necessary Developer proceedings, findings and actions. Accordingly, this Agreement constitutes the legal, valid and binding obligation of the Developer, enforceable in accordance with its terms.

22. Representations of the City. The City hereby represents and warrants that it has full constitutional and lawful right, power and authority, under current applicable law, to execute, deliver and perform the terms and obligations of this Agreement and all of the foregoing have been or will be, upon adoption of ordinances authorizing this Agreement, duly and validly

authorized and approved by all necessary City proceedings, findings and actions. Accordingly, this Agreement constitutes the legal, valid and binding obligation of the City, enforceable in accordance with its terms.

23. Governing Law. The laws of the State of Missouri will govern this Agreement.
24. Amendments. This Agreement may not be amended or otherwise modified except in writing signed by each of the parties.
25. Severability. If any provision of this Agreement, in whole or in part, is held invalid, that provision or specific part of the provision shall be deemed severed from this Agreement and will not invalidate the remainder of this Agreement or that provision.
26. Reversion of City Property and Right of First Refusal. If this Agreement is terminated prior to issuance of Class B License to Developer issued by the MGC for the Project (a "Termination Date"), all property conveyed to Developer by the City or vacated by the City for the Project shall revert to ownership by the City. Developer shall execute such deeds or other documentation as may be reasonably required by the City to effect such reversion. In addition, the City shall have a right of first refusal for all other real estate acquired by Developer for the Project (the "Right of First Refusal"), as follows:
 - 26.1. If at any time after the Termination Date, Developer receives a bona fide offer (an "Offer") to purchase all or any part of the Project Site owned by Developer (such all or part being hereafter referred to as the "Property") and Developer is willing to accept the Offer, Developer shall promptly give to the City written notice (the "Notice"), of the name and address of the person or entity making the Offer (the "Offeror"), and the price and other terms of the Offer and of Developer's willingness to accept the Offer.
 - 26.2. The City may exercise the Right of First Refusal within twenty (20) days after receipt of the Notice by notifying Developer that the City will acquire the Property for the price and on the terms specified in the Offer, including without limitation any contingencies contained in the Offer. If the City does not exercise the Right of First Refusal, Developer may sell and transfer the Property to Offeror, for the price and on the terms specified in the Offer and no other. Such sale and transfer will terminate the Right of First Refusal with respect to the Property as conveyed to Offeror.
 - 26.3. If the sale and transfer of the Property to Offeror does not occur, the Right of First Refusal shall remain in full force and effect. The failure of the City to exercise the Right of First Refusal does not constitute a waiver of the Right of First Refusal as to any subsequent offers.
 - 26.4. If the City exercises the Right of First Refusal but fails to acquire the Property, then this Right of First Refusal shall terminate with regards to the Property.
 - 26.5. Any transfer of the Property made in violation of the City's rights under this Right of First Refusal shall be void and the City shall have the right to acquire the Property for the same price and on the same terms as applied to the attempted transfer.
27. Recording. This Agreement may be recorded by either party in the real estate records of the County in which the Project Site is located.

28. Run with the Land. The provisions of this Agreement are covenants running with the land within the Project Site.

29. Termination. In addition to any right of termination otherwise provided in this Agreement, this Agreement may be terminated by the City, and shall become null and void, with no further obligations of the City and Developer to each other hereunder, if Developer, after notice and opportunity to cure, as provided in Paragraph 18: (1) fails to satisfy any Developer Commitment within the time specified for the Commitment; (2) files for bankruptcy, is administratively dissolved, becomes insolvent as that term is identified in 11 U.S.C. §101, or otherwise ceases to be authorized to do business in the State of Missouri; (3) Developer makes changes to the Project pursuant to Paragraph 6 that materially adversely impact the City's interests or impose material additional costs on the City; (4) Construction Commencement does not occur by three (3) years after Prioritization of Developer; (5) if Developer's gaming license or gaming license renewal for the Project is denied, surrendered, revoked or terminated, and is not reinstated within one (1) year after such event; or (6) if any party other than Developer is selected by the MGC for Prioritization for a site in the City of Cape Girardeau.

[Signatures on next page]

IN WITNESS WHEREOF, City of Cape Girardeau and IOC-Cape Girardeau LLC have signed this Agreement, which may be signed in counterparts and by facsimile.

City of Cape Girardeau

IOC-Cape Girardeau LLC

By: /s/ Scott A. Meyer

By: /s/ Virginia M. McDowell

Name: Scott A. Meyer

Name: Virginia M. McDowell

Title: City Manager

Title: President and COO

Date: October 4, 2010

Date: September 2, 2010

Address for notices:
W. Eric Cunningham
City Attorney
401 Independence, P.O. Box 617
Cape Girardeau, MO 63702-0617

Address for notices:
600 Emerson Road, Suite 300
St. Louis, MO 63141

ATTEST:

With a copy to:
c/o Gallop, Johnson & Neuman, L.C.
Attn: Thomas J. Campbell
101 South Hanley, Suite 1700
St. Louis, MO 63105

/s/ Gayle L. Conrad
City Clerk

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, James B. Perry, Chief Executive Officer of Isle of Capri Casinos, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Isle of Capri Casinos, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 3, 2010

/s/ James B. Perry
James B. Perry
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Dale R. Black, Chief Financial Officer of Isle of Capri Casinos, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Isle of Capri Casinos, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 3, 2010

/s/ Dale R. Black

Dale R. Black
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Isle of Capri Casinos, Inc. (the "Company") on Form 10-Q for the period ended October 24, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, James B. Perry, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 3, 2010

/s/ James B. Perry
James B. Perry
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Isle of Capri Casinos, Inc. (the "Company") on Form 10-Q for the period ended October 24, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Dale R. Black, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 3, 2010

/s/ Dale R. Black

Dale R. Black
Chief Financial Officer

ISLE OF CAPRI CASINOS INC (ISLE)

10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filed on 02/28/2011

Filed Period 01/23/2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended January 23, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 0-20538

ISLE OF CAPRI CASINOS, INC.

Delaware
(State or other jurisdiction of
incorporation or organization)

41-1659606
(I.R.S. Employer
Identification Number)

600 Emerson Road, Suite 300, Saint Louis, Missouri
(Address of principal executive offices)

63141
(Zip Code)

Registrant's telephone number, including area code: (314) 813-9200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 25, 2011, the Company had a total of 38,219,211 shares of Common Stock outstanding (which excludes 3,843,358 shares held by us in treasury).

PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ISLE OF CAPRI CASINOS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	January 23, 2011 (unaudited)	April 25, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 69,966	\$ 68,069
Marketable securities	21,767	22,926
Accounts receivable, net	7,877	8,879
Income taxes receivable	4,490	8,109
Deferred income taxes	16,826	16,826
Prepaid expenses and other assets	27,305	25,095
Total current assets	148,231	149,904
Property and equipment, net	1,121,156	1,098,942
Other assets:		
Goodwill	345,303	313,136
Other intangible assets, net	83,419	79,675
Deferred financing costs, net	7,891	10,354
Restricted cash	12,763	2,774
Prepaid deposits and other	16,468	20,055
Total assets	\$1,735,231	\$1,674,840
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 8,769	\$ 8,754
Accounts payable	27,746	24,072
Accrued liabilities:		
Interest	15,086	14,779
Payroll and related	41,089	45,863
Property and other taxes	18,825	20,253
Other	51,650	43,434
Total current liabilities	163,165	157,155
Long-term debt, less current maturities	1,243,513	1,192,135
Deferred income taxes	28,841	29,193
Other accrued liabilities	37,515	38,972
Other long-term liabilities	17,078	17,166
Stockholders' equity:		
Preferred stock, \$0.1 par value; 2,000,000 shares authorized; none issued		
Common stock, \$0.1 par value; 60,000,000 shares authorized; shares issued: 36,762,569 shares at January 23, 2011 and 36,771,730 shares at April 25, 2010	368	367
Class B common stock, \$0.1 par value; 3,000,000 shares authorized; none issued		
Additional paid-in capital	201,675	201,464
Retained earnings	92,224	98,555
Accumulated other comprehensive (loss) income	(2,857)	(8,060)
Treasury stock, 3,843,358 shares at January 23, 2011 and 4,326,242 shares at April 25, 2010	(46,291)	(52,107)
Total stockholders' equity	245,119	240,219
Total liabilities and stockholders' equity	\$1,735,231	\$1,674,840

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 23, 2011	January 24, 2010	January 23, 2011	January 24, 2010
Revenues:				
Casino	\$ 240,205	\$ 229,521	\$ 754,007	\$ 742,957
Rooms	8,400	8,424	29,924	32,488
Pari-mutuel, food, beverage and other	31,082	31,240	99,170	98,821
Gross revenues	279,687	269,185	883,101	874,266
Less promotional allowances	(47,680)	(42,113)	(152,522)	(143,225)
Net revenues	232,007	227,072	730,579	731,041
Operating expenses:				
Casino	38,529	36,435	118,117	115,351
Gaming taxes	58,331	60,529	182,951	191,056
Rooms	2,002	2,237	7,496	8,118
Pari-mutuel, food, beverage and other	10,557	10,553	32,848	32,638
Marine and facilities	14,602	14,392	44,558	46,148
Marketing and administrative	61,152	62,326	188,580	190,581
Corporate and development	18,719	11,127	32,180	33,412
Expense recoveries and other charges, net	—	—	—	(6,762)
Depreciation and amortization	21,822	26,797	66,934	84,062
Total operating expenses	215,714	224,396	673,664	694,604
Operating income	16,293	2,676	56,915	36,437
Interest expense	(21,506)	(17,452)	(68,711)	(53,682)
Interest income	431	455	1,372	1,218
Derivative income (expense)	974	—	(1,256)	—
Income (loss) from continuing operations before income taxes	(3,808)	(14,321)	(11,680)	(16,027)
Income tax benefit	1,151	2,922	4,555	8,056
Income (loss) from continuing operations	(2,657)	(11,399)	(7,125)	(7,971)
Income (loss) from discontinued operations, net of income taxes	—	774	794	(187)
Net income (loss)	\$ (2,657)	\$ (10,625)	\$ (6,331)	\$ (8,158)
Income (loss) per common share-basic and dilutive:				
Income (loss) from continuing operations	\$ (0.08)	\$ (0.35)	\$ (0.22)	\$ (0.25)
Income (loss) from discontinued operations, net of income taxes	—	0.02	0.03	—
Net income (loss)	\$ (0.08)	\$ (0.33)	\$ (0.19)	\$ (0.25)
Weighted average basic shares	32,929,965	32,438,809	32,720,532	32,179,233
Weighted average diluted shares	32,929,965	32,438,809	32,720,532	32,179,233

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
(Unaudited)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accum. Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, April 25, 2010	36,771,730	\$ 367	\$201,464	\$98,555	\$(8,060)	\$(52,107)	\$ 240,219
Net loss	—	—	—	(6,331)	—	—	(6,331)
Deferred hedge adjustment, net of income tax provision of \$3,164	—	—	—	—	5,299	—	5,299
Unrealized loss on interest rate cap contracts net of income tax benefit of \$3	—	—	—	—	(5)	—	(5)
Foreign currency translation adjustments	—	—	—	—	(91)	—	(91)
Comprehensive income (loss)	—	—	—	—	—	—	(1,128)
Issuance of restricted stock from treasury stock	—	—	(5,816)	—	—	5,816	—
Forfeiture of restricted stock	—	(21,302)	—	—	—	—	—
Exercise of stock options	—	1,500	—	3	—	—	3
Issuance of deferred bonus shares	11,641	1	—	—	—	—	1
Stock compensation expense	—	—	6,024	—	—	—	6,024
Balance, January 23, 2011	36,762,569	\$ 368	\$201,675	\$92,224	\$(2,857)	\$(46,291)	\$ 245,119

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	January 23 2011	January 24 2010
Operating activities:		
Net loss	\$ (6,331)	\$ (8,158)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	66,934	84,062
Amortization of deferred financing costs	2,463	1,735
Expense recoveries and other charges, net	—	(6,762)
Deferred income taxes	(3,513)	(4,409)
Stock compensation expense	6,024	6,055
Deferred compensation expense	—	72
Loss on derivative instruments	1,256	—
(Gain) loss on disposal of assets	(267)	696
Changes in operating assets and liabilities, net of acquisition:		
Sales (purchases) of trading securities	1,159	(2,502)
Accounts receivable	1,024	6,608
Income tax receivable	3,620	2,603
Prepaid expenses and other assets	2,000	(3,123)
Accounts payable and accrued liabilities	8,415	(7,103)
Net cash provided by operating activities	82,784	69,774
Investing activities:		
Purchase of property and equipment	(46,124)	(21,577)
Net cash paid for acquisition, net of cash acquired	(76,167)	—
Payments towards gaming license	—	(4,000)
Proceeds from sale of assets held for sale	—	653
Increase in restricted cash	(9,942)	(12)
Net cash used in investing activities	(132,233)	(24,936)
Financing activities:		
Principal payments on debt	(6,606)	(6,591)
Net borrowings (repayments) on line of credit	58,000	(62,558)
Proceeds from exercise of stock options	2,337	204
Net cash provided by (used in) financing activities	51,397	(68,945)
Effect of foreign currency exchange rates on cash	(51)	(11)
Net increase (decrease) in cash and cash equivalents	1,897	(24,118)
Cash and cash equivalents, beginning of period	68,069	96,654
Cash and cash equivalents, end of the period	\$ 69,966	\$ 72,536

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
Notes to Condensed Consolidated Financial Statements
(amounts in thousands, except share and per share amounts)
(Unaudited)

1. Nature of Operations

Isle of Capri Casinos, Inc., a Delaware corporation, was incorporated in February 1990. Except where otherwise noted, the words "we," "us," "our" and similar terms, as well as "Company," refer to Isle of Capri Casinos, Inc. and all of its subsidiaries. We are a leading developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in markets throughout the United States. Our wholly owned subsidiaries own and operate fourteen casino gaming facilities in the United States located in Black Hawk, Colorado; Lake Charles, Louisiana; Lula, Biloxi, Natchez and Vicksburg, Mississippi; Kansas City, Caruthersville and Boonville, Missouri; Bettendorf, Davenport, Waterloo and Marquette, Iowa; and Pompano Beach, Florida.

2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and in accordance with accounting principles generally accepted in the United States of America for interim financial reporting. Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted. The accompanying interim consolidated financial statements have been prepared without audit. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K/A for the year ended April 25, 2010 as filed with the SEC and all of our other filings, including Current Reports on Form 8-K, filed with the SEC after such date and through the date of this report, which are available on the SEC's website at www.sec.gov or our website at www.islecorp.com.

Our fiscal year ends on the last Sunday in April. Periodically, this system necessitates a 53-week year. Fiscal 2011 and 2010 are both 52-week years, which commenced on April 26, 2010 and April 27, 2009, respectively.

The condensed consolidated financial statements include our accounts and those of our subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior period financial statements to conform to the current period presentation. We view each property as an operating segment and all operating segments have been aggregated into one reporting segment.

Discontinued operations include our former Blue Chip casinos in Dudley and Wolverhampton, England, sold in fiscal 2010, our former casino in Freeport, Grand Bahamas, exited in November 2009 and our former casino in Coventry, England sold in fiscal year 2009. The results of our discontinued operations for the three and nine months ended January 23, 2011 and January 24, 2010, are summarized as follows:

	Three Months Ended		Nine Months Ended	
	January 23, 2011	January 24, 2010	January 23, 2011	January 24, 2010
Net revenues	\$ 11,105	\$ 7,403	\$ 11,105	\$ 7,403
Pretax loss from discontinued operations	—	(716)	—	(2,299)
Income tax benefit from discontinued operations	—	1,490	—	2,112
Income (loss) from discontinued operations	—	774	—	(187)

During the nine months ended January 23, 2011, we recorded a tax benefit in discontinued operations related to the resolution of previously unrecognized tax positions related to our former UK operations (See Note 11).

We evaluated all subsequent events through the date of the issuance of the consolidated financial statements and have disclosed such subsequent events in the notes to the condensed consolidated financial statements. No material subsequent events have occurred that required recognition in the condensed consolidated financial statements, except as disclosed in Note 13.

3. Acquisition

We completed the acquisition of Rainbow Casino-Vicksburg Partnership, L.P. ("Rainbow") located in Vicksburg, Mississippi on June 8, 2010 acquiring 100% of the partnership interests and have included the results of Rainbow in our consolidated financial statements subsequent to June 8, 2010. The purchase price was \$76,167, net of cash acquired and purchase price adjustments. The preliminary allocation of the purchase price for these partnership interests was determined based upon estimates of future cash flows and evaluations of the net assets acquired. The transaction was accounted for using the acquisition method in accordance with the accounting guidance under Accounting Standards Codification Topic 805, *Business Combinations*. As a result, the net assets of Rainbow were recorded at their estimated fair value with the excess of the purchase price over the fair value of the net assets acquired allocated to goodwill. The acquisition was funded by borrowings from Isle's senior secured credit facility. The purchase price allocation remains preliminary as management is in process of obtaining third party valuations to assist in its determination of fair value for property and equipment, and intangible assets acquired.

Goodwill — A rollforward of goodwill is as follows:

Balance April 25, 2010	\$ 313,136
Addition from Rainbow acquisition	32,167
Balance January 23, 2011	\$ 345,303

The pro forma results of operations, as if the acquisition of Rainbow had occurred on the first day of each fiscal year, are as follows:

	Three Months Ended		Nine Months Ended	
	January 23, 2011	January 24, 2010	January 23, 2011	January 24, 2010
Pro forma				
Net Revenues	\$ 232,007	\$ 235,472	\$ 734,395	\$ 756,797
Income (loss) from continuing operations before income taxes	(3,808)	(13,514)	(11,564)	(12,836)
Net income (loss) from continuing operations	(2,657)	(10,893)	(7,053)	(5,973)
Basic earnings (loss) per share from continuing operations	(0.08)	(0.34)	(0.22)	(0.19)
Diluted earnings (loss) per share from continuing operations	(0.08)	(0.34)	(0.22)	(0.19)

4. Long-Term Debt

Long-term debt consists of the following:

	January 23, 2011	April 25, 2010
Senior Secured Credit Facility:		
Revolving line of credit, expires July 26, 2012, interest payable at least quarterly at either LIBOR and/or prime plus a margin	\$ 79,500	\$ 21,500
Variable rate term loans, mature November 25, 2013, principal and interest payments due quarterly, at either LIBOR and/or prime plus a margin	\$10,960	\$17,256
7% Senior Subordinated Notes, interest payable semi-annually March and September 1:	\$37,275	\$37,275
Other	4,547	4,858
	\$125,282	\$120,889
Less current maturities	8,769	8,754
Long-term debt	\$116,513	\$112,135

Credit Facility - The Credit Facility as amended ("Credit Facility") consists of a \$375,000 revolving line of credit and an \$875,000 term loan facility. The Credit Facility is secured on a first priority basis by substantially all of our assets and guaranteed by all of our significant subsidiaries.

Our net line of credit availability at January 23, 2011, as limited by our maximum leverage covenant was approximately \$140,000. We have an annual commitment fee related to the unused portion of the Credit Facility of up to 0.75% which is included in interest expense in the accompanying consolidated statements of operations. The weighted average effective interest rate of the Credit Facility for the nine months ended January 23, 2011 was 6.47%.

The Credit Facility includes a number of affirmative and negative covenants. Additionally, we must comply with certain financial covenants including maintenance of a leverage ratio and minimum interest coverage ratio. The Credit Facility also restricts our ability to make certain investments or distributions. We were in compliance with the covenants as of January 23, 2011.

7% Senior Subordinated Notes - Our 7% Senior Subordinated Notes are due 2014 ("7% Senior Subordinated Notes") and are guaranteed, on a joint and several basis, by all of our significant subsidiaries and certain other subsidiaries as described in Note 15. All of the guarantor subsidiaries are wholly owned by us. The 7% Senior Subordinated Notes are general unsecured obligations and rank junior to all of our senior indebtedness. The 7% Senior Subordinated Notes are redeemable, in whole or in part, at our option at any time, with call premiums as defined in the indenture governing the 7% Senior Subordinated Notes.

The indenture governing the 7% Senior Subordinated Notes limits, among other things, our ability and our restricted subsidiaries' ability to borrow money, make restricted payments, use assets as security in other transactions, enter into transactions with affiliates or pay dividends on or repurchase stock. The indenture also limits our ability to issue and sell capital stock of subsidiaries, sell assets in excess of specified amounts or merge with or into other companies.

5. Earnings Per Share

The following table sets forth the computation of basic and diluted income (loss) per share:

	Three Months Ended		Nine Months Ended	
	January 23, 2011	January 24, 2010	January 23, 2011	January 24, 2010
Numerator:				
Income (loss) applicable to common shares:				
Income (loss) from continuing operations	\$ (2,657)	\$ (1,399)	\$ (7,125)	\$ (7,971)
Income (loss) from discontinued operations	—	774	794	(187)
Net income (loss)	\$ (2,657)	\$ (10,625)	\$ (6,331)	\$ (8,158)
Denominator:				
Denominator for basic earnings (loss) per share - weighted average shares	32,929,965	32,438,809	32,720,532	32,179,233
Effect of dilutive securities Employee stock options	—	—	—	—
Denominator for diluted loss per share - adjusted weighted average shares and assumed conversions	32,929,965	32,438,809	32,720,532	32,179,233
Basic earnings (loss) per share:				
Income (loss) from continuing operations	\$ (0.08)	\$ (0.35)	\$ (0.22)	\$ (0.25)
Loss from discontinued operations	—	0.02	0.03	—
Net income (loss)	\$ (0.08)	\$ (0.33)	\$ (0.19)	\$ (0.25)
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	\$ (0.08)	\$ (0.35)	\$ (0.22)	\$ (0.25)
Loss from discontinued operations	—	0.02	0.03	—
Net income (loss)	\$ (0.08)	\$ (0.33)	\$ (0.19)	\$ (0.25)

Our basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of shares outstanding for the period. Due to the loss from continuing operations, stock options representing 144,909 and 95,615 shares, which are potentially dilutive, and 475,210 shares which are anti-dilutive, were excluded from the calculation of common shares for diluted (loss) per share for the three and nine months ended January 23, 2011, respectively. Due to the loss from continuing operations, stock options representing 57,756 and 144,386, which are potentially dilutive, and 1,189,028 and 589,028 shares which were anti-dilutive were excluded from the calculation of common shares for diluted income (loss) per share for the three and nine month periods ended January 24, 2010, respectively.

6. Stock Based Compensation

Under our amended and restated 2009 Long Term Incentive Plan we have issued stock options and restricted stock.

Restricted Stock —During the nine months ended January 23, 2011, we issued 306,247 shares of restricted stock with a weighted average grant-date fair value of \$8.72 to employees and 191,126 shares of restricted stock with a weighted average grant-date fair value of \$7.54 to directors under the Long Term Incentive Plan. Restricted stock awarded to employees under annual long-term incentive grants vests one-third on each anniversary of the grant date and for directors vests one-half on the grant date and one-half on the first anniversary of the grant date. Restricted stock previously awarded

under our tender offer vests three years from the date of award. Our estimate of forfeitures for restricted stock for employees is 10%. No forfeiture rate is estimated for directors. As of January 23, 2011, our unrecognized compensation cost for unvested restricted stock is \$4,802 with a remaining weighted average vesting period of 1.0 years.

Stock Options - We have issued incentive stock options and nonqualified stock options which have a maximum term of 10 years and are, generally, vested and exercisable in yearly installments of 20% commencing one year after the date of grant. We currently estimate our aggregate forfeiture rates at 12%. As of January 23, 2011, our unrecognized compensation cost for unvested stock options was \$809 with a weighted average vesting period of 2.4 years.

7. Expense Recoveries and Other Charges, net

During the nine months ended January 24, 2010, we recorded an expense recovery of \$6,762 representing the discounted value of a receivable for reimbursement of development costs expended in prior periods relating to a terminated plan to develop a casino in Pittsburgh, Pennsylvania. This receivable was recorded following a revised assessment of collectability.

8. Interest Rate Derivatives

We have entered into various interest rate derivative agreements in order to manage market risk on variable rate term loans outstanding, as well as comply with requirements under the Credit Facility. We have interest rate swap agreements with an aggregate notional value of \$100,000 with maturity dates in fiscal 2012 and 2014. We have also entered into interest rate cap contracts with an aggregate notional value of \$220,000 having maturity dates in fiscal 2012 and 2013 and paid premiums of \$203 at inception.

As a result of the amendment to our Credit Facility in the fourth quarter of fiscal 2010, our interest rate swaps no longer meet the criteria for hedge effectiveness, and therefore changes in the fair value of the swaps subsequent to the date of ineffectiveness in February 2010, are recorded in derivative income (expense) in the consolidated statement of operations. Prior to their ineffectiveness, changes in the fair value of these interest rate swaps were adjusted through other comprehensive income (loss) as these derivative instruments qualified for hedge accounting. The cumulative loss recorded in other comprehensive income (loss) through the date of ineffectiveness is being amortized into derivative expense over the remaining term of the individual interest rate swap agreements or when the underlying transaction is no longer expected to occur. As of January 23, 2011, the weighted average fixed LIBOR interest rate of our interest rate swap agreements was 4.25%.

The interest rate cap agreements meet the criteria for hedge accounting for cash flow hedges and have been evaluated, as of January 23, 2011 as being fully effective. As a result, there is no impact on our consolidated statement of operations from changes in fair value of the interest rate cap agreements.

The loss recorded in other comprehensive income (loss) of our interest rate swap contracts is recorded net of deferred income tax benefits of \$1,540 and \$4,704, as of January 23, 2011 and April 25, 2010, respectively. The loss recorded in other comprehensive income (loss) for our interest rate cap contracts is recorded net of deferred income tax benefits of \$33 and \$30 as of January 23, 2011 and April 25, 2010, respectively.

The fair values of derivatives included in our consolidated balance sheet are as follows:

Type of Derivative Instrument	Balance Sheet Location	January 23, 2011	April 25, 2010
Interest rate cap contracts	Prepaid deposits and other	\$ 925	\$ 24
Interest rate swap contracts	Accrued interest	1,917	6,704
Interest rate swap contracts	Other long-term liabilities	3,827	6,247

We recorded income of \$2,344 and \$7,207 in derivative income (expense) related to the change in fair value of interest rate swap contracts during the three and nine months ended January 23, 2011, respectively.

Additionally, during the three and nine months ended January 23, 2011, we recorded expense of \$1,370 and \$8,463, respectively, in derivative income (expense) associated with the amortization of \$858, net of taxes of \$512 and \$5,299, net

of taxes of \$3,164, of cumulative loss recorded in other comprehensive income (loss) for the interest rate swaps through the date of their ineffectiveness.

The change in unrealized gain (loss) on our derivatives qualifying for hedge accounting was \$63 and \$67 for the three and nine months ended January 23, 2011, respectively. The change in unrealized gain (loss) on our derivatives qualifying for hedge accounting was \$2,545 and \$7,304 for the three and nine months ended January 24, 2010, respectively.

The amount of accumulated other comprehensive income (loss) related to interest rate swap contracts and interest rate cap contracts maturing within the next twelve months was \$1,676, net of tax of \$1,001, as of January 23, 2011.

9. Fair Value

The fair value of our interest swap and cap contracts are recorded using Level 3 inputs at the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation.

The following table presents the changes in Level 3 liabilities measured at fair value on a recurring basis for the three and nine months ended January 23, 2011:

	January 23, 2011	
	Three Months Ended	Nine Months Ended
Interest Rate Derivatives		
Beginning Balance	\$ (8,060)	\$ (12,927)
Realized gains/(losses)	2,345	7,208
Unrealized gains/(losses)	63	67
Balance at January 23, 2011	<u>\$ (5,652)</u>	<u>\$ (5,652)</u>

Financial Instruments - The estimated carrying amounts and fair values of our other financial instruments are as follows:

	January 23, 2011		April 25, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 69,966	\$ 69,966	\$ 68,069	\$ 68,069
Marketable securities	21,767	21,767	22,926	22,926
Restricted cash	12,763	12,763	2,774	2,774
Notes receivable	7,172	7,172	8,510	8,510
Financial liabilities:				
Revolving line of credit	\$ 79,500	\$ 73,935	\$ 21,500	\$ 20,855
Variable rate term loans	810,960	768,386	817,256	800,911
7% Senior subordinated notes	357,275	357,275	357,275	326,013
Other long-term debt	4,547	4,547	4,858	4,858
Other long-term obligations	17,078	17,078	17,166	17,166

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents, restricted cash and notes receivable are carried at cost, which approximates fair value due to their short-term maturities.

Marketable securities are based upon Level 1 inputs obtained from quoted prices available in active markets and represent the amounts we would expect to receive if we sold these marketable securities.

The fair value of our long-term debt or other long-term obligations is estimated based on the quoted market price of the underlying debt issue or, when a quoted market price is not available, the discounted cash flow of future payments utilizing current rates available to us for debt of similar remaining maturities. Debt obligations with a short remaining maturity have a carrying amount that approximates fair value.

10. Accumulated Other Comprehensive Income (Loss)

A detail of Accumulated other comprehensive income (loss) is as follows:

	January 23, 2011	April 25, 2010
Interest rate cap contracts	\$ (55)	\$ (50)
Interest rate swap contracts	(2,578)	(7,877)
Foreign currency translation loss	(224)	(133)
	<u>\$ (2,857)</u>	<u>\$ (8,060)</u>

The amount of change in the gain (loss) recognized in accumulated other comprehensive income (loss) related to derivative instruments is as follows:

Type of Derivative Instrument	Three Months Ended		Nine Months Ended	
	January 23, 2011	January 24, 2010	January 23, 2011	January 24, 2010
Interest rate cap contracts	\$ 21	\$ (35)	\$ (5)	\$ (35)
Interest rate swap contracts	858	1,627	5,299	4,604
	<u>\$ 879</u>	<u>\$ 1,592</u>	<u>\$ 5,294</u>	<u>\$ 4,569</u>

11. Income Taxes

During fiscal 2010, the IRS completed its examination of our federal income tax returns which relate to our fiscal years 2007 and 2008. The income tax examination changes were subject to review by the U.S. Congress Joint Committee on Taxation and on August 20, 2010 we received notification that the review had been completed with no exception to the examination. As a result, during the nine months ended January 23, 2011, we recognized a tax benefit in discontinued operations of \$794 related to the resolution of previously unrecognized tax positions related to our former UK operations.

Related to our uncertain tax positions, we accrued interest expense of \$132 and \$373 respectively, for the three and nine months ended January 23, 2011 as a component of our income tax benefit. As of January 23, 2011, we have recognized a liability of \$3,199 for interest and no amount for penalties.

During the nine months ended January 24, 2010, we settled Louisiana income tax examinations covering fiscal years ended April 2001 through April 2008. As a result of the actual taxes and interest due for these years being less than our previously accrued amounts, we recognized a benefit of \$4,727 in our income tax provision during the nine months ended January 24, 2010.

Our effective income tax rates from continuing operations for the three and nine months ended January 23, 2011 were 30.2% and 39.0%, respectively. Our effective income tax rates from continuing operations for the three and nine months ended January 24, 2010 were 20.4% and 50.3%, respectively. Without the impact of the settlement of certain Louisiana income tax matters during the nine months ended January 24, 2010, our effective income tax rate for the nine months ended January 24, 2010, would have been 28.2%. Our actual effective rate will fluctuate based upon the amount of our pretax book income, permanent differences and other items used in the calculation of our income tax benefit.

12. Supplemental Cash Flow Disclosures

For the nine months ended January 23, 2011 and January 24, 2010, we made net cash interest payments of \$61,210 and \$46,514, respectively. Additionally, we received income tax refunds of \$5,733 and \$1,515 during the nine months ended January 23, 2011 and January 24, 2010, respectively.

In fiscal year 2006, we obtained a gaming license for our Waterloo, Iowa property and recorded an intangible asset of \$18,547. Annual payments for the license are recorded on a yearly basis and for the nine months ended January 24, 2010, we made payments of \$4,000 towards the gaming license.

For the nine months ended January 23, 2011 and January 24, 2010, the change in accrued purchases of property and equipment in accounts payable increased by \$859 and decreased by \$695, respectively.

13. Subsequent Event

On January 25, 2011 we issued 5.3 million shares of common stock bringing total shares outstanding to 42,062,569. Net proceeds of approximately \$51,700 were used to repay amounts under our Credit Facility and for general corporate purposes.

14. Contingencies and Commitments

Legal and Regulatory Proceedings—Lady Luck Gaming Corporation (now our wholly owned subsidiary) and several joint venture partners have been defendants in the Greek Civil Courts and the Greek Administrative Courts in similar lawsuits brought by the country of Greece. The actions allege that the defendants failed to make specified payments in connection with the gaming license bid process for Patras, Greece. Although it is difficult to determine the damages being sought from the lawsuits, the action may seek damages up to that aggregate amount plus interest from the date of the action.

In the Civil Court lawsuit, the Civil Court of First Instance ruled in our favor and dismissed the lawsuit in 2001. Greece appealed to the Civil Appeal Court and, in 2003, the Court rejected the appeal. Greece then appealed to the Civil Supreme Court and, in 2007, the Supreme Court ruled that the matter was not properly before the Civil Courts and should be before the Administrative Court.

In the Administrative Court lawsuit, the Administrative Court of First Instance rejected the lawsuit stating that it was not competent to hear the matter. Greece then appealed to the Administrative Appeal Court, which court rejected the appeal in 2003. Greece then appealed to the Supreme Administrative Court, which remanded the matter back to the Administrative Appeal Court for a hearing on the merits. The re-hearing took place in 2006, and in 2008 the Administrative Appeal Court rejected Greece's appeal on procedural grounds. On December 22, 2008 and January 23, 2009, Greece appealed the ruling to the Supreme Administrative Court. A hearing has tentatively been scheduled for April 2011.

The outcome of this matter is still in doubt and cannot be predicted with any degree of certainty. We intend to continue a vigorous and appropriate defense to the claims asserted in this matter. Through January 23, 2011, we have accrued an estimated liability including interest of \$11,446. Our accrual is based upon management's estimate of the original claim by the plaintiffs for lost payments. We continue to accrue interest on the asserted claim. We are unable to estimate a total possible loss as information as to possible additional claims, if any, have not been asserted or quantified by the plaintiffs at this time.

During January 2010, we entered into an agreement to provide management services for a potential casino to be located at the Nemacolin Woodlands Resort in Farmington, Pennsylvania, ("The Resort"). The development of this casino is subject to numerous regulatory approvals including obtaining a state gaming license, which is a competitive award process among several applicants. If The Resort is successful in obtaining a gaming license, we have agreed to complete the build-out of the casino space. We currently estimate the project cost at approximately \$50,000.

On December 1, 2010, our proposed casino in Cape Girardeau, Missouri was selected by the Missouri Gaming Commission for prioritization for the 13th and final gaming license in the State of Missouri. We had previously entered into a development agreement with the City of Cape Girardeau. The project is expected to include approximately 1,000 slot

machines, 28 table games, 3 restaurants, a lounge and terrace overlooking the Mississippi River and a 750-seat event center. We currently estimate the cost of the project at approximately \$125,000 with an anticipated opening date by the end of calendar 2012.

We are subject to certain federal, state and local environmental protection, health and safety laws, regulations and ordinances that apply to businesses generally, and are subject to cleanup requirements at certain of our facilities as a result thereof. We have not made, and do not anticipate making material expenditures, nor do we anticipate incurring delays with respect to environmental remediation or protection. However, in part because our present and future development sites have, in some cases, been used as manufacturing facilities or other facilities that generate materials that are required to be remediated under environmental laws and regulations, there can be no guarantee that additional pre-existing conditions will not be discovered and we will not experience material liabilities or delays.

We are subject to various contingencies and litigation matters and have a number of unresolved claims. Although the ultimate liability of these contingencies, this litigation and these claims cannot be determined at this time, we believe they will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

15. Consolidating Condensed Financial Information

Certain of our wholly owned subsidiaries have fully and unconditionally guaranteed on a joint and several basis, the payment of all obligations under our 7% Senior Subordinated Notes.

The following wholly owned subsidiaries of the Company are guarantors, on a joint and several basis, under the 7% Senior Subordinated Notes: Black Hawk Holdings, L.L.C.; Casino America of Colorado, Inc.; CCSC/Blackhawk, Inc.; Grand Palais Riverboat, Inc.; IC Holdings Colorado, Inc.; IOC-Black Hawk Distribution Company, L.L.C.; IOC-Boonville, Inc.; IOC-Caruthersville, L.L.C.; IOC-Kansas City, Inc.; IOC-Lula, Inc.; IOC-Natchez, Inc.; IOC-Black Hawk County, Inc.; IOC-Davenport, Inc.; IOC Holdings, L.L.C.; IOC Services, L.L.C.; IOC-Vicksburg, Inc.; IOC-Vicksburg, LLC; Rainbow Casino Vicksburg Partnership, L.P.; Isle of Capri Bahamas Holdings, Inc.; Isle of Capri Bettendorf Marina Corporation; Isle of Capri Bettendorf, L.C.; Isle of Capri Black Hawk Capital Corp.; Isle of Capri Black Hawk, L.L.C.; Isle of Capri Marquette, Inc.; P.P.I., Inc.; Riverboat Corporation of Mississippi; Riverboat Services, Inc.; and St. Charles Gaming Company, Inc. Each of the subsidiaries' guarantees is joint and several with the guarantees of the other subsidiaries. Consolidating condensed balance sheets as of January 23, 2011 and April 25, 2010 are as follows (in thousands):

As of January 23, 2011

	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Balance Sheet					
Current assets	\$ 38,994	\$ 79,065	\$ 33,477	\$ (3,305)	\$ 148,231
Intercompany receivables	1,033,849	(226,426)	(56,655)	(750,768)	—
Investments in subsidiaries	398,959	(64,846)	—	(334,113)	—
Property and equipment, net	10,965	1,069,711	40,480	—	1,121,156
Other assets	62,073	443,084	19,358	(58,671)	465,844
Total assets	\$ 1,544,840	\$ 1,300,588	\$ 36,660	\$ (1,146,857)	\$ 1,735,231
Current liabilities	\$ 51,137	\$ 80,233	\$ 35,100	\$ (3,305)	\$ 163,165
Intercompany payables	—	750,768	—	(750,768)	—
Long-term debt, less current maturities	1,239,335	(3,531)	(647)	—	1,243,513
Other accrued liabilities	9,249	119,337	13,519	(58,671)	83,434
Stockholders' equity	245,119	346,719	(12,606)	(334,113)	245,119
Total liabilities and stockholders' equity	\$ 1,544,840	\$ 1,300,588	\$ 36,660	\$ (1,146,857)	\$ 1,735,231

As of April 25, 2010

	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Balance Sheet					
Current assets	\$ 35,835	\$ 71,976	\$ 43,193	\$ (1,100)	\$ 149,904
Intercompany receivables	990,557	(185,612)	(54,177)	(750,768)	—
Investments in subsidiaries	390,369	(63,110)	—	(327,259)	—
Property and equipment, net	7,579	1,059,147	32,216	—	1,098,942
Other assets	57,092	409,106	11,150	(51,354)	425,994
Total assets	\$ 1,481,432	\$ 1,291,507	\$ 32,382	\$ (1,130,481)	\$ 1,674,840
Current liabilities	\$ 46,581	\$ 80,884	\$ 30,790	\$ (1,100)	\$ 157,155
Intercompany payables	—	750,768	—	(750,768)	—
Long-term debt, less current maturities	1,187,631	(3,760)	(744)	—	1,192,135
Other accrued liabilities	7,001	116,815	12,869	(51,354)	85,331
Stockholders' equity	240,219	339,280	(12,021)	(327,259)	240,219
Total liabilities and stockholders' equity	\$ 1,481,432	\$ 1,291,507	\$ 32,382	\$ (1,130,481)	\$ 1,674,840

Consolidating condensed statements of operations for the three and nine month periods ended January 23, 2011 and January 24, 2010 are as follows (in thousands):

Statement of Operations	For the Three Months Ended January 23, 2011				
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Revenues:					
Casino	\$ —	\$ 240,205	\$ —	\$ —	\$ 240,205
Pari-mutuel, rooms, food, beverage, and other	162	39,295	2,413	(2,388)	39,482
Gross revenues	162	279,500	2,413	(2,388)	279,687
Less promotional allowances	—	(47,680)	—	—	(47,680)
Net revenues	162	231,820	2,413	(2,388)	232,007
Operating expenses:					
Casino	—	38,529	—	—	38,529
Gaming taxes	—	58,331	—	—	58,331
Other operating expenses	9,150	88,311	1,959	(2,388)	97,032
Management fee expense (revenue)	(7,947)	7,947	—	—	—
Depreciation and amortization	461	21,223	138	—	21,822
Total operating expenses	1,664	214,341	2,097	(2,388)	215,714
Operating income (loss)	(1,502)	17,479	316	—	16,293
Interest expense, net	(5,665)	(15,318)	(92)	—	(21,075)
Derivative income (expense)	974	—	—	—	974
Equity in income (loss) of subsidiaries	(748)	(463)	—	1,211	(2,657)
Income (loss) from continuing operations before income taxes	(6,941)	1,698	224	1,211	(3,808)
Income tax (provision) benefit	4,284	(3,364)	231	—	1,151
Income (loss) from continuing operations	(2,657)	(1,666)	455	1,211	(2,657)
Income (loss) from discontinued operations, net of tax	—	—	—	—	—
Net income (loss)	\$ (2,657)	\$ (1,666)	\$ 455	\$ 1,211	\$ (2,657)

For the Three Months Ended January 24, 2010

Statement of Operations	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Revenues:					
Casino	\$ —	\$ 229,521	\$ —	\$ —	\$ 229,521
Pari-mutuel, rooms, food, beverage and other	600	39,043	2,421	(2,400)	39,664
Gross revenues	600	268,564	2,421	(2,400)	269,185
Less promotional allowances	—	(42,113)	—	—	(42,113)
Net revenues	600	226,451	2,421	(2,400)	227,072
Operating expenses:					
Casino	—	36,435	—	—	36,435
Gaming taxes	—	60,529	—	—	60,529
Other operating expenses	10,332	89,508	3,195	(2,400)	100,635
Management fee expense (revenue)	(5,589)	5,589	—	—	—
Depreciation and amortization	1,038	25,607	152	—	26,797
Total operating expenses	5,781	217,668	3,347	(2,400)	224,396
Operating income (loss)	(5,181)	8,783	(926)	—	2,676
Interest expense, net	(1,572)	(15,403)	(22)	—	(16,997)
Derivative income (expense)	—	—	—	—	—
Equity in income (loss) of subsidiaries	(11,601)	(758)	—	12,359	—
Income (loss) from continuing operations before income taxes	(18,354)	(7,378)	(948)	12,359	(14,321)
Income tax (provision) benefit	6,955	(3,949)	(84)	—	2,922
Income (loss) from continuing operations	(11,399)	(11,327)	(1,032)	12,359	(11,399)
Income (loss) from discontinued operations, net of tax	774	(98)	(716)	814	774
Net income (loss)	\$ (10,625)	\$ (11,425)	\$ (1,748)	\$ 13,173	\$ (10,625)

For the Nine Months Ended January 23, 2011

Statement of Operations	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Revenues:					
Casino	\$ —	\$ 754,007	\$ —	\$ —	\$ 754,007
Parimutuel, rooms, food, beverage and other	1,469	127,551	7,370	(7,296)	129,094
Gross revenues	1,469	881,558	7,370	(7,296)	883,101
Less promotional allowances	—	(152,522)	—	—	(152,522)
Net revenues	1,469	729,036	7,370	(7,296)	730,579
Operating expenses:					
Casino	—	118,117	—	—	118,117
Gaming taxes	—	182,951	—	—	182,951
Other operating expenses	31,649	273,488	7,821	(7,296)	305,662
Management fee expense (revenue)	(25,560)	25,560	—	—	—
Depreciation and amortization	1,492	65,008	434	—	66,934
Total operating expenses	7,581	665,124	8,255	(7,296)	673,664
Operating income (loss)	(6,112)	63,912	(885)	—	56,915
Interest expense, net	(21,167)	(45,985)	(187)	—	(67,339)
Derivative income (expense)	(1,256)	—	—	—	(1,256)
Equity in income (loss) of subsidiaries	8,969	(1,747)	—	(7,222)	—
Income (loss) from continuing operations before income taxes	(19,566)	16,180	(1,072)	(7,222)	(11,680)
Income tax (provision) benefit	12,441	(8,465)	579	—	4,555
Income (loss) from continuing operations	(7,125)	7,715	(493)	(7,222)	(7,125)
Income (loss) from discontinued operations, net of tax	794	—	—	—	794
Net income (loss)	\$ (6,331)	\$ 7,715	\$ (493)	\$ (7,222)	\$ (6,331)

For the Nine Months Ended January 24, 2010

Statement of Operations	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Revenues:					
Casino	\$ —	\$ 742,957	\$ —	\$ —	\$ 742,957
Pari-mutuel, rooms, food, beverage and other	963	130,287	7,363	(7,304)	131,309
Gross revenues	963	873,244	7,363	(7,304)	874,266
Less promotional allowances	—	(143,225)	—	—	(143,225)
Net revenues	963	730,019	7,363	(7,304)	731,041
Operating expenses:					
Casino	—	115,351	—	—	115,351
Gaming taxes	—	191,056	—	—	191,056
Other operating expenses	32,760	277,489	1,190	(7,304)	304,135
Management fee expense (revenue)	(18,585)	18,585	—	—	—
Depreciation and amortization	3,324	80,280	458	—	84,062
Total operating expenses	17,499	682,761	1,648	(7,304)	694,604
Operating income (loss)	(16,536)	47,258	5,715	—	36,437
Interest expense, net	(4,945)	(47,264)	(255)	—	(52,464)
Equity in income (loss) of subsidiaries	2,081	(2,618)	—	537	—
Income (loss) from continuing operations before income taxes	(19,400)	(2,624)	5,460	537	(16,027)
Income tax (provision) benefit	11,429	(1,062)	(2,311)	—	8,056
Income (loss) from continuing operations	(7,971)	(3,686)	3,149	537	(7,971)
Income (loss) from discontinued operations, net of tax	(187)	(955)	(2,302)	3,257	(187)
Net income (loss)	\$(8,158)	\$(4,641)	\$847	\$3,794	\$(8,158)

Consolidating condensed statements of cash flows for the nine months ended January 23, 2011 and January 24, 2010 are as follows (in thousands):

Nine Months Ended January 23, 2011					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Statement of Cash Flows					
Net cash provided by (used in) operating activities	\$ (3,753)	\$ 77,073	\$ 9,464	\$ —	\$ 82,784
Net cash provided by (used in) investing activities	(47,466)	(109,374)	(17,838)	42,445	(132,233)
Net cash provided by (used in) financing activities	51,707	39,746	2,389	(42,445)	51,397
Effect of foreign currency exchange rates on cash and cash equivalents	—	—	(51)	—	(51)
Net increase (decrease) in cash and cash equivalents	488	7,445	(6,036)	—	1,897
Cash and cash equivalents at beginning of the period	6,506	46,994	14,569	—	68,069
Cash and cash equivalents at end of the period	\$ 6,994	\$ 54,439	\$ 8,533	\$ —	\$ 69,966

Nine Months Ended January 24, 2010					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Statement of Cash Flows					
Net cash provided by (used in) operating activities	\$ (9,057)	\$ 78,794	\$ 37	\$ —	\$ 69,774
Net cash provided by (used in) investing activities	75,440	(24,629)	778	(76,525)	(24,936)
Net cash provided by (used in) financing activities	(67,592)	(74,138)	(3,740)	76,525	(68,945)
Effect of foreign currency exchange rates on cash and cash equivalents	—	—	(11)	—	(11)
Net increase (decrease) in cash and cash equivalents	(1,209)	(19,973)	(2,936)	—	(24,118)
Cash and cash equivalents at beginning of the period	8,776	68,681	19,197	—	96,654
Cash and cash equivalents at end of the period	\$ 7,567	\$ 48,708	\$ 16,261	\$ —	\$ 72,536

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements that we believe are, or may be considered to be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this report regarding the prospects of our industry or our prospects, plans, financial position or business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as "may," "will," "expect," "intend," "estimate," "foresee," "project," "anticipate," "believe," "plans," "forecasts," "continue" or "could" or the negatives of these terms or variations of them or similar terms. Furthermore, such forward-looking statements may be included in various filings that we make with the SEC or press releases or oral statements made by or with the approval of one of our authorized executive officers. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which reflect management's opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements. You are advised, however, to consult any additional disclosures we make in our reports to the SEC. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report.

For a more complete description of the risks that may affect our business, see our Annual Report on Form 10-K/A for the year ended April 25, 2010, as updated in Item 1A Risk Factors in Part II of this document.

Executive Overview

We are a leading developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in regional markets in the United States. We have intentionally sought geographic diversity to limit the risks caused by weather, regional economic difficulties and local gaming authorities and regulations. We currently operate casinos in Mississippi, Louisiana, Missouri, Iowa, Colorado and Florida. We also operate a harness racing track at our casino in Florida.

Our operating results for the periods presented have been affected, both positively and negatively, by current economic conditions and several other factors discussed in detail below. Our historical operating results may not be indicative of our future results of operations because of these factors and the changing competitive landscape in each of our markets, as well as by factors discussed elsewhere herein. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K/A for the year ended April 25, 2010 and by giving consideration to the following:

Acquisition of Rainbow Casino - We completed the acquisition of Rainbow Casino-Vicksburg Partnership, L.P. ("Rainbow") located in Vicksburg, Mississippi on June 8, 2010 acquiring 100% of the partnership interests and have included the results of Rainbow in our consolidated financial statements subsequent to June 8, 2010. The acquisition was funded by borrowings from Isle's senior secured credit facility.

Florida Gaming Law Changes — Effective July 1, 2010, the state portion of gaming taxes applicable to our Pompano property was reduced from 50% to 35% of gaming revenues. Additionally, this legislation removed poker betting limits and allowed us to expand our poker hours from 12 hours per day to 18 hours per day Monday through Thursday and 24 hours per day on Friday through Sunday. Our casino revenues and gaming taxes reflect the favorable impact of these changes in state gaming laws.

Expense Recoveries and Other Charges — During the nine months ended January 24, 2010, we recorded an other expense recovery of \$6.8 million representing the discounted value of a receivable for reimbursement of development costs expensed in prior periods relating to a terminated plan to develop a casino in Pittsburgh, Pennsylvania.

Provision for Income Taxes — During the nine months ended January 23, 2011, we recognized a tax benefit of \$0.8 million in discontinued operations representing the resolution of previously unrecognized tax positions following the completion of certain federal tax reviews. During the nine months ended January 24, 2010, we recognized a benefit of \$4.7 million in our income tax provision, as we elected to settle certain state income tax matters with our actual settlement being less than our estimated accrued liability.

Increased Competition — The opening of a new hotel in October 2009 by a competitor in Black Hawk, Colorado has had a negative impact on our Black Hawk, Colorado property.

Discontinued Operations — Discontinued operations include the results of our international operations including our former Blue Chip, Grand Bahamas and Coventry casino operations. The sale of our Blue Chip and exit of our Grand Bahamas casino operations were substantially completed during November 2009. Our Coventry casino operations were sold and discontinued during the fourth quarter of fiscal year 2009. During the nine months ended January 23, 2011, we recorded a tax benefit in discontinued operations related to the resolution of previously unrecognized tax positions related to our former UK operations.

Revenues

Revenues for the three and nine months ended January 23, 2011 and January 24, 2010 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	January 23, 2011	January 24, 2010		
Revenues:				
Casino	\$ 240,205	\$ 229,521	\$ 10,684	4.7%
Rooms	8,400	8,424	(24)	-0.3%
Pari-mutuel, food, beverage and other	31,082	31,240	(158)	-0.5%
Gross revenues	279,687	269,185	10,502	3.9%
Less promotional allowances	(47,680)	(42,113)	(5,567)	13.2%
Net revenues	\$ 232,007	\$ 227,072	\$ 4,935	2.2%

(in thousands)	Nine Months Ended		Variance	Percentage Variance
	January 23, 2011	January 24, 2010		
Revenues:				
Casino	\$ 754,007	\$ 742,957	\$ 11,050	1.5%
Rooms	29,924	32,488	(2,564)	-7.9%
Pari-mutuel, food, beverage and other	99,170	98,821	349	0.4%
Gross revenues	883,101	874,266	8,835	1.0%
Less promotional allowances	(152,522)	(143,225)	(9,297)	6.5%
Net revenues	\$ 730,579	\$ 731,041	\$ (462)	-0.1%

Casino Revenues - Casino revenues increased \$10.7 million, or 4.7%, and \$11.1 million, or 1.5%, for the three and nine months ended January 23, 2011, respectively, as compared to the same period in fiscal 2010.

For the three months ended January 23, 2011, casino revenues increased \$1.4 million at our Pompano property, and included \$9.8 million from our newly acquired Vicksburg casino. These increases were offset by decreased casino revenues at our Black Hawk property of \$0.9 million reflecting the impact of competition and a decrease at our Lake Charles, Lula and Natchez properties of \$1.3 million primarily due to current economic conditions. Our other properties combined for a net increase of \$1.7 million in casino revenues.

For the nine months ended January 23, 2011, casino revenues increased \$7.4 million at our Pompano property, and included \$24.6 million from our Vicksburg casino. These increases were offset by decreased casino revenues at our Black Hawk and Quad Cities properties of \$13.4 million reflecting the impact of competition and a decrease at our Lake Charles, Lula and

Natchez properties of approximately \$10.0 million primarily due to current economic conditions. Our other properties combine for a net increase of \$2.4 million in casino revenues.

Rooms Revenue - Rooms revenue was relatively flat for the three months ended and decreased \$2.6 million, or 7.9%, for the nine months ended January 23, 2011, respectively, as compared to the same period in the prior fiscal year. The majority of this decrease has occurred at our Black Hawk property where we have experienced decline in both room rates and occupancy following the opening of a competitor's new hotel during October 2009 and at our Biloxi property where a competitive market has reduced the overall hotel room rates.

Pari-mutuel, Food, Beverage and Other Revenues — Pari-mutuel, food, beverage and other revenues decreased \$0.2 million, or 0.5%, and increased \$0.3 million, or 0.4%, for the three and nine months ended January 23, 2011, respectively, as compared to the same period in the prior fiscal year. Food, beverage and other revenues for the three and nine months ended January 23, 2011 included \$0.6 million and \$1.5 million, respectively, from our recently acquired Vicksburg casino.

Promotional Allowances - Promotional allowances increased \$5.6 million, or 13.2%, and \$9.3 million, or 6.5%, for the three and nine months ended January 23, 2011, respectively, as compared to the same period in the prior fiscal year. Promotional allowances for the three and nine months ended January 23, 2011 included \$3.0 million and \$7.5 million, respectively, from our Vicksburg casino. At our existing properties, changes in our promotional allowances reflect revisions to our marketing plans as a result of competitive factors, economic conditions and regulations.

Operating Expenses

Operating expenses for the three months ended January 23, 2011 and January 24, 2010 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	January 23, 2011	January 24, 2010		
Operating expenses:				
Casino	\$ 38,529	\$ 36,435	\$ 2,094	5.7%
Gaming taxes	58,331	60,529	(2,198)	-3.6%
Rooms	2,002	2,237	(235)	-10.5%
Pari-mutuel, food, beverage and other	10,557	10,553	4	0.0%
Marine and facilities	14,602	14,392	210	1.5%
Marketing and administrative	61,152	62,326	(1,174)	-1.9%
Corporate and development	8,719	11,127	(2,408)	-21.6%
Depreciation and amortization	21,822	26,797	(4,975)	-18.6%
Total operating expenses	\$ 215,714	\$ 224,396	\$ (8,682)	-3.9%

(in thousands)	Nine Months Ended		Variance	Percentage Variance
	January 23, 2011	January 24, 2010		
Operating expenses:				
Casino	\$ 118,117	\$ 115,351	\$ 2,766	2.4%
Gaming taxes	182,951	191,056	(8,105)	-4.2%
Rooms	7,496	8,118	(622)	-7.7%
Pari-mutuel, food, beverage and other	32,848	32,638	210	0.6%
Marine and facilities	44,558	46,148	(1,590)	-3.4%
Marketing and administrative	188,580	190,581	(2,001)	-1.0%
Corporate and development	32,180	33,412	(1,232)	-3.7%
Expense recoveries and other charges		(6,762)	6,762	100.0%
Depreciation and amortization	66,934	84,062	(17,128)	-20.4%
Total operating expenses	\$ 673,664	\$ 694,604	\$ (20,940)	-3.0%

Casino - Casino operating expenses increased \$2.1 million, or 5.7%, and \$2.8 million, or 2.4%, for the three and nine months ended January 23, 2011, respectively, as compared to the same period in the prior fiscal year. Excluding casino costs of \$1.4 million and \$3.4 million for the three and nine months ended January 23, 2011, in Vicksburg, our casino costs would have increased \$0.7 million and decreased \$0.6 million, respectively. This net change in casino operating expenses reflects net cost reductions in casino expense at most of our properties offset by a slight increase in casino expenses at our Pompano property following the expansion of gaming hours effective July 1, 2010.

Gaming Taxes - State and local gaming taxes decreased \$2.2 million, or 3.6%, and \$8.1 million, or 4.2%, for the three and nine months ended January 23, 2011, respectively, as compared to the same period in the prior fiscal year. Reductions in gaming taxes for the three and nine months ended January 23, 2011 reflect the decrease in state gaming taxes at our Pompano facility from 50% to 35% effective July 1, 2010, decreases in our overall gaming revenues and changes in the mix of our gaming revenues derived from states with different gaming tax rates. Gaming taxes for the three and nine months ended January 23, 2011 included \$0.9 million and \$2.2 million, respectively, from our Vicksburg casino.

Rooms - Rooms expense decreased \$0.2 million, or 10.5%, and \$0.6 million, or 7.7%, for the three and nine months ended January 23, 2011, respectively, as compared to the same period in the prior fiscal year. These expenses directly relate to the cost of providing hotel rooms. This decrease in rooms expense is reflective of a 7.9% reduction in our hotel revenues for the nine months ended January 23, 2011, respectively, as compared to the same period in the prior fiscal year.

Pari-mutuel, Food, Beverage and Other — Pari-mutuel, food, beverage and other expenses were relatively flat for the three months ended and increased \$0.2 million for the nine months ended January 23, 2011, respectively, as compared to the same period in the prior fiscal year. Excluding food beverage and other costs of \$0.2 million and \$0.8 million for the three and nine months ended January 23, 2011, incurred by our Vicksburg casino, our food, beverage and other expenses would have decreased \$0.3 million and an immaterial amount, respectively.

Marine and Facilities - Marine and facilities expenses increased \$0.2 million, or 1.5%, and decreased \$1.6 million, or 3.4% for the three and nine months ended January 23, 2011, respectively, as compared to the same period in the prior fiscal year. Excluding marine and facility costs of \$0.4 million and \$1.0 million for the three and nine months ended January 23, 2011, incurred by our recently acquired Vicksburg casino, our marine and facility costs would have decreased \$0.2 million and \$2.6 million, respectively. This decrease includes reductions in facility costs across most properties as we continue to focus on cost reductions efforts.

Marketing and Administrative - Marketing and administrative expenses decreased \$1.2 million, or 1.9%, and \$2.0 million, or 1.0%, for the three and nine months ended January 23, 2011 as compared to the same period in the prior fiscal year. Excluding marketing and administrative costs of \$2.3 million and \$5.6 million for the three and nine months ended January 23, 2011, incurred by our Vicksburg casino, our marketing and administrative costs would have decreased \$3.5 million and \$7.6 million, respectively. These decreases reflect reductions in our operating cost to align such expenditures with changes in our net revenues.

Corporate and Development - During the three months ended January 23, 2011, our corporate and development expenses were \$8.7 million compared to \$11.1 million for the three months ended January 24, 2010. The net decrease in corporate and development cost for the three months ended January 23, 2011, primarily reflects decreased incentive compensation and insurance. During the nine months ended January 23, 2011, our corporate and development expenses were \$32.2 million compared to \$33.4 million for the nine months ended January 24, 2010. The net decrease in corporate and development expenses for the nine months ended January 23, 2011, reflects decreases in incentive compensation and insurance costs offset by expenses related to our attempted equity offering during the first quarter, acquisition related costs regarding the Rainbow acquisition and development expenses.

Depreciation and Amortization - Depreciation and amortization expense for the three and nine months ended January 23, 2011 decreased \$4.9 million and \$17.1 million, respectively, as compared to the same periods in the prior fiscal year, primarily due to certain assets becoming fully depreciated. Depreciation and amortization for the three and nine months ended January 23, 2011 included \$1.3 million and \$3.2 million, respectively, from Vicksburg.

Other Income (Expense), Income Taxes, and Discontinued Operations

Interest expense, interest income, income tax (provision) benefit, and income (loss) from discontinued operations, net of income taxes for the three and nine months ended January 23, 2011 and January 24, 2010 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	January 23, 2011	January 24, 2010		
Interest expense	\$ (21,506)	\$ (17,452)	\$ (4,054)	23.2%
Interest income	431	455	(24)	-5.3%
Derivative income (expense)	974	974	0	N/M
Income tax benefit	1,151	2,922	(1,771)	-60.6%
Income (loss) from discontinued operations, net of income taxes	774	774	0	100.0%

(in thousands)	Nine Months Ended		Variance	Percentage Variance
	January 23, 2011	January 24, 2010		
Interest expense	\$ (68,711)	\$ (53,682)	\$ (15,029)	28.0%
Interest income	1,372	1,218	154	12.6%
Derivative income (expense)	(1,256)	(1,256)	0	N/M
Income tax benefit	4,555	8,056	(3,501)	-43.5%
Income (loss) from discontinued operations, net of income taxes	794	(187)	981	-524.6%

Interest Expense - Interest expense increased \$4.0 million and \$15.0 million, respectively, for the three and nine months ended January 23, 2011, as compared to the same period in the prior fiscal year. This increase reflects the amendment of our senior credit facility during the fourth quarter of fiscal year 2010 which increased our interest rate on borrowings under the facility and additional interest on borrowings to fund our acquisition of the Vicksburg casino effective June 8, 2010.

Derivative income (expense) — This is related to the change in fair value of our ineffective interest rate swaps. Our interest rate swaps became ineffective following the amendment of our senior secured credit facility during the fourth quarter of fiscal year 2010.

Income Tax Benefit (Provision) — Our income tax benefit (provision) from continuing operations and our effective income tax rate has been impacted by our estimate of annual taxable income for financial statement purposes as well as our percentage of permanent and other items in relation to such estimated income or loss. During the prior fiscal year, our effective income tax rate was also impacted by our settlement of certain tax liabilities for \$4.7 million less than our estimated accrual.

Liquidity and Capital Resources

Cash Flows from Operating Activities - During the nine months ended January 23, 2011, we generated \$82.8 million in cash flows from operating activities compared to generating \$69.8 million during the nine months ended January 24, 2010. The year over year increase in cash flows from operating activities primarily results from increases in operating income, exclusive of non-cash items, such as depreciation and expense recoveries.

Cash Flows used in Investing Activities - During the nine months ended January 23, 2011, we used \$132.2 million for investing activities compared to using \$24.9 million during the nine months ended January 24, 2010. Significant investing activities for the nine months ended January 23, 2011 included the purchase of the Rainbow casino in Vicksburg, Mississippi for \$76.2 million, purchases of property and equipment of \$46.1 million, of which \$8.7 million relates to Cape Girardeau, and increases in restricted cash at our captive insurance company by \$9.5 million to fund insurance reserves in lieu of providing letters of credit.

For the nine months ended January 24, 2010, significant investing activities included the purchase of property and equipment for \$21.6 million and payment of \$4.0 million towards our Waterloo gaming license.

Cash Flows used in Financing Activities - During the nine months ended January 23, 2011 we had net borrowings under our line of credit of \$58.0 million which included the borrowing of \$80 million to fund our acquisition of the Rainbow casino in Vicksburg, Mississippi. We also used \$6.6 million to repay other outstanding long-term debt.

During the nine months ended January 24, 2010, our net cash flows used in financing activities were used primarily to repay our outstanding long term debt of \$69.1 million.

Availability of Cash and Additional Capital - At January 23, 2011, we had cash and cash equivalents of \$70.0 million and marketable securities of \$21.8 million. As of January 23, 2011, we had \$79.5 million in revolving credit borrowings and \$811.0 million in term loans outstanding under the senior secured credit facility. Our line of credit availability at January 23, 2011 was approximately \$140 million as limited by our leverage ratio.

Common Stock Offering - On January 25, 2011 we issued 5.3 million shares of our common stock for total net proceeds of approximately \$51.7 million. Proceeds from the common stock offering were used to repay amounts under our Credit Facility and for general corporate purposes.

Capital Expenditures and Development Activities - On December 1, 2010, our proposed casino in Cape Girardeau, Missouri was selected by the Missouri Gaming Commission for prioritization for the 13th and final gaming license in the State of Missouri. We had previously entered into a development agreement with the City of Cape Girardeau. The project is expected to include 1,000 slot machines, 28 table games, 3 restaurants, a lounge and terrace overlooking the Mississippi River and a 750-seat event center. We currently estimate the cost of the project at approximately \$125 million with an anticipated opening date by the end of calendar 2012.

Historically, we have made significant investments in property and equipment and expect that our operations will continue to demand ongoing investments to keep our properties competitive. Our current planned capital expenditures include approximately \$10 million in maintenance capital expenditures and approximately \$5 million in expenditures related to Cape Girardeau for the balance of fiscal year 2011.

As part of our business development activities, historically we have entered into agreements which have resulted in the acquisition or development of businesses or assets. These business development efforts and related agreements typically require the expenditure of cash, which may be significant. The amount and timing of our cash expenditures relating to development activities may vary based upon our evaluation of current and future development opportunities, our financial condition and the condition of the financing markets. Our development activities are subject to a variety of factors including but not limited to: obtaining permits, licenses and approvals from appropriate regulatory and other agencies, legislative changes and, in certain circumstances, negotiating acceptable leases.

We have entered into an agreement to provide management services for a potential casino to be located at the Nemacolin Woodlands Resort in Farmington, Pennsylvania, ("the Resort"). The development of this casino is subject to numerous regulatory approvals including obtaining a state gaming license, which is a competitive award process among four applicants. If the Resort is successful in obtaining a gaming license, we have agreed to complete the build-out of the casino space. We currently estimate the project cost at approximately \$50 million.

We have identified several capital projects primarily focused on refreshing our hotel room inventory as well as additional improvements to our Black Hawk and Lake Charles properties, and further Lady Luck conversions. The timing and amount of these capital expenditures will be determined as we gain more clarity as to improvement of economic and local market conditions, cash flows from our continuing operations and availability of cash under our senior secured credit facility.

Typically, we have funded our daily operations through net cash provided by operating activities and our significant capital expenditures through operating cash flow and debt financing. While we believe that cash on hand, proceeds from our recent equity offering, cash flow from operations, and available borrowings under our senior secured credit facility will be sufficient to support our working capital needs, planned capital expenditures and debt service requirements for the foreseeable future, there is no assurance that these sources will in fact provide adequate funding for our planned and necessary expenditures or that the level of our capital investments will be sufficient to allow us to remain competitive in our existing markets.

We are highly leveraged and may be unable to obtain additional debt or equity financing on acceptable terms if our current sources of liquidity are not sufficient or if we fail to stay in compliance with the covenants of our senior secured credit facility. We will continue to evaluate our planned capital expenditures at each of our existing locations in light of the operating performance of the facilities at such locations.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles that require our management to make estimates and assumptions that affect reported amounts and related disclosures. Management identifies critical accounting estimates as:

- those that require the use of assumptions about matters that are inherently and highly uncertain at the time the estimates are made;
- those estimates where, had we chosen different estimates or assumptions, the resulting differences would have had a material impact on our financial condition, changes in financial condition or results of operations; and
- those estimates that, if they were to change from period to period, likely would result in a material impact on our financial condition, changes in financial condition or results of operations.

Accounting Standards Codification ("ASC") Topic 350, Intangibles-Goodwill and Other, requires goodwill and other intangibles to be reviewed for impairment at least annually or on an interim basis if indicators of impairment exist. Goodwill for relevant reporting units is tested for impairment using a cash flow analysis based on forecasted future results discounted using our weighted average cost of capital and by using a market approach based upon valuation multiples for similar companies.

For a discussion of our significant accounting policies and estimates, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements presented in our 2010 Annual Report on Form 10-K/A. There were no newly identified significant accounting estimates in the third quarter of fiscal year 2011, nor were there any material changes to the critical accounting policies and estimates set forth in our 2010 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, including interest rates, foreign currency exchange rates, commodity prices and equity prices. Our primary exposure to market risk is interest rate risk associated with our Isle of Capri Casinos, Inc. senior secured credit facility ("Credit Facility").

We have entered into interest rate swap and cap arrangements with aggregate notional value of \$320 million as of January 23, 2011. The swap agreements effectively convert portions of the Credit Facility variable debt to a fixed-rate basis until the respective swap agreements terminate, which occurs during fiscal years 2011, 2012 and 2014. Our interest expense is impacted by the relationship between our Credit Facility variable rate debt and our interest rate derivatives, and as such, based on current debt levels, relative changes in future interest rates would impact future annual interest expense as follows:

Increase to variable rate	Increase/(decrease) (in millions)
1%	(1.0)
2%	0.4
3%	6.9
4%	12.6
5%	18.3

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on the evaluation, management has concluded that the design and operation of our disclosure controls and procedures are effective as of January 23, 2011.

Because of its inherent limitations, systems of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal controls over financial reporting during the fiscal quarter ended January 23, 2011, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A reference is made to the information contained in Footnote 14 of our unaudited condensed consolidated financial statements included herein, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Except as follows, there are no material changes to the disclosure regarding risk factors presented in our Annual Report on Form 10-K/A for the fiscal year ended April 25, 2010.

We are effectively controlled by the Goldstein Parties and their decisions may differ from those that may be made by other stockholders.

Robert S. Goldstein, our Vice Chairman, and Jeffrey D. Goldstein and Richard A. Goldstein, two of our directors, GFIL Holdings, LLC, spouses, children and grandchildren of certain members of the Goldstein family and entities associated with certain members of the Goldstein family (collectively the "Goldstein Parties") collectively own and control approximately 42.6% of our common stock as of February 21, 2011. GFIL Holdings, LLC, which is managed by Jeffrey D. Goldstein, Richard A. Goldstein and Robert S. Goldstein, provides for the collective ownership of the Goldstein Parties' shares of our common stock.

The Goldstein Parties have substantial influence over the election of our board of directors and the outcome of the vote on substantially all other matters, including amendment of our amended and restated certificate of incorporation, amendment of our by-laws and significant corporate transactions, such as the approval of a merger or other transactions involving a sale of the Company. Such substantial influence may have the effect of discouraging transactions involving an actual or potential change of control, which in turn could have a material adverse effect on the market price of our common stock or prevent our stockholders from realizing a premium over the market price for their shares of common stock. The interests of the Goldstein Parties may differ from those of our other stockholders.

Additionally, pursuant to the Governance Agreement, dated January 19, 2011 (as amended, the "Goldstein Governance Agreement"), between us and the Goldstein Parties, we have called a special meeting of stockholders for March 18, 2011, to vote on certain amendments to our amended and restated certificate of incorporation and, if approved by our stockholders, to effect the amendments to our amended and restated certificate of incorporation and to our by-laws. The amendments to our amended and restated certificate of incorporation will provide that, until the Supermajority Expiration Time (as defined in the amendments to our amended and restated certificate of incorporation), we may not, without the affirmative vote of the holders of at least two-thirds of our voting power, voting as a single class, authorize, adopt or approve certain extraordinary corporate transactions and provide for the classification of our board of directors and three-year terms of service for each class of directors. Further, we agreed that until the Nomination Expiration Date (as defined in the Goldstein Governance Agreement), we will take all action reasonably necessary for the board of directors to nominate and recommend for election by the stockholders each of Robert S. Goldstein, Jeffrey D. Goldstein and Richard A. Goldstein, at any annual meeting at which their respective directorship terms are scheduled to expire. Notwithstanding the foregoing, if our stockholders do not approve the amendments to our amended and restated certificate of incorporation, we will not proceed with the amendments to our amended and restated certificate of incorporation or by-laws and will take all steps necessary to effect such abandonment and the Goldstein Parties will take all steps reasonably requested by us to effect such abandonment.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We have purchased our common stock under stock repurchase programs. These programs allow for the repurchase of up to 6,000,000 shares. To date, we have purchased 4,895,792 shares of our common stock under these programs. These programs have no approved dollar amount, nor expiration dates. No purchases were made during the nine months ended January 23, 2011.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS SUBJECT TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See the Index to Exhibits following the signature page hereto for a list of the exhibits filed pursuant to Item 601 of Regulation S-K.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ISLE OF CAPRI CASINOS, INC.

Dated: February 28, 2011

/s/ DALE R. BLACK

Dale R. Black
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Authorized Officer)

EXHIBIT NUMBER	DESCRIPTION
10.1	Amendment Number One to Governance Agreement, dated February 23, 2011, by and among Isle of Capri Casinos, Inc., GFIL Holdings, LLC, Jeffrey D. Goldstein, Robert S. Goldstein and Richard A. Goldstein
31.1	Certification of Chief Executive Officer pursuant to Rule 13a—14(a) under the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer pursuant to Rule 13a—14(a) under the Securities Exchange Act of 1934
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

AMENDMENT NUMBER ONE TO GOVERNANCE AGREEMENT

February 23, 2011

The undersigned, being all of the parties to that certain Agreement dated as of January 19, 2011 (the "Governance Agreement"), hereby agree as follows:

1. Exhibit A to the Governance Agreement setting forth the Charter Amendments is hereby amended and replaced in its entirety with Exhibit A hereto.
2. Section 3.3(a) of the Governance Agreement is hereby amended and restated to read in its entirety as follows:

"(a) Effective upon the filing with the Secretary of State of the Charter Amendments, Messrs. Richard A. Goldstein, Jeffrey D. Goldstein and Robert S. Goldstein (or such other persons as determined in accordance with Section 3.3(c)) (collectively, the "Goldstein Directors") shall be appointed to Classes I, II and III of the Board, respectively."
3. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Governance Agreement.
4. The provisions of the Governance Agreement that have not been amended hereby shall remain in full force and effect. The provisions of the Governance Agreement, as amended hereby, shall remain in full force and effect.

* * *

IN WITNESS WHEREOF, this Amendment Number One to Governance Agreement has been executed by each of the Parties, through their respective duly authorized representative, as of the date first above written.

ISLE OF CAPRI CASINOS, INC.

By: /s/ Virginia McDowell
Name: Virginia M. McDowell
Title: President and COO

GFIL HOLDINGS, LLC

By: /s/ Jeffrey D. Goldstein
Name: Jeffrey D. Goldstein
Title: Manager

/s/ Jeffrey D. Goldstein
JEFFREY D. GOLDSTEIN

/s/ Robert S. Goldstein
ROBERT S. GOLDSTEIN

/s/ Richard A. Goldstein
RICHARD A. GOLDSTEIN

Exhibit A — Charter Amendments

**CERTIFICATE OF AMENDMENT TO
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF
ISLE OF CAPRI CASINOS, INC.**

Isle of Capri Casinos, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, as amended (the "DGCL"), DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Corporation adopted resolutions proposing and declaring advisable the following amendment to the Amended and Restated Certificate of Incorporation of the Corporation:

RESOLVED, that the Amended and Restated Certificate of Incorporation of the Corporation be amended so that the following Article FIFTEENTH be added immediately after the existing Article FOURTEENTH:

"FIFTEENTH:

15.1) Special Vote Requirement

(a) The affirmative vote or consent of the holders of at least two-thirds of the voting power of the Corporation, voting as a single class, shall be required for (i) the adoption of any agreement providing for the merger or consolidation of the Corporation with or into any other corporation or entity, or similar transaction in which the shares of stock of the Corporation are exchanged for or changed into other stock or securities, cash and/or other property, (ii) the adoption of any agreement providing for the sale or lease of all or substantially all of the assets or property of the Corporation and its subsidiaries (taken as a whole), (iii) spin-off, split-up or extraordinary dividend to stockholders and (iv) the liquidation, dissolution or winding up of the Corporation. Such affirmative vote or consent shall be in addition to the votes or consents of the holders of stock of the Corporation otherwise required by law or any agreement between the Corporation and any national securities exchange.

(b) This Section 15.1, and the terms and conditions contained herein, shall, without any action of any person or entity, automatically expire and be null and void and of no further effect upon the first to occur of (i) the Goldstein Family Group (as defined below) ceasing to hold Common Stock of the Corporation representing at least 22.5% of the Corporation's outstanding Common Stock, not including any shares of Class B Common Stock or shares of Common Stock issued upon conversion of any Preferred Stock and (ii) the tenth anniversary of the Article 15 Effective Time (as defined below) (the time at which the first of the matters set forth in the foregoing clauses (i) and (ii) occurs is referred to herein as the "Supermajority Expiration Time").

(c) For purposes of this Amended and Restated Certificate of Incorporation, "Goldstein Family Group" means, collectively, (i) Jeffrey D. Goldstein, (ii) Richard A. Goldstein, (iii) Robert S. Goldstein, (iv) GFIL Holdings, LLC, a Delaware limited liability company, (v) the spouse, child (including any person legally adopted before the age of five), or grandchild of any of Bernard Goldstein, Jeffrey D. Goldstein, Robert S. Goldstein and/or Richard A. Goldstein, and (vi) any entity in which all of the equity interests in and all of the beneficial interests of which are owned by a person or entity described in subparagraphs (i) through (v) above.

(d) From the Article 15 Effective Time until the Supermajority Expiration Time, the Corporation shall not amend, modify or repeal this Section 15.1 unless such amendment, modification or repeal is approved by the affirmative vote or consent of the holders of at least two-thirds of the voting power of the Corporation, voting as a single class.

15.2) Classes of Directors

(a) The Board of Directors of the Corporation shall be divided into three classes, designated Class I, Class II and Class III. Each class of directors shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors of the Corporation. The Board of Directors is hereby authorized to assign members of the Board of Directors already in office to such classes effective upon the filing with the Secretary of State of the Certificate of Amendment to this Amended and Restated Certificate of Incorporation that provides for the inclusion of this Article 15 in this Amended and Restated Certificate of Incorporation (the "Article 15 Effective Time"); provided, that each of Jeffrey D. Goldstein, Robert S. Goldstein and Richard A. Goldstein shall be in separate classes. The terms of the initial Class I directors shall expire at the first annual meeting of stockholders to be held after the Article 15 Effective Time; the terms of the initial Class II directors shall expire at the second annual meeting of stockholders to be held after the Article 15 Effective Time; and the terms of the initial Class III directors shall expire at the third annual meeting of stockholders to be held after the Article 15 Effective Time.

(b) At each annual meeting of stockholders, successors to the class of directors whose terms expire at that annual meeting shall be elected for a three-year term.

(c) A director shall hold office until the annual meeting of stockholders for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

(d) From the Article 15 Effective Time until the Supermajority Expiration Time, the Corporation shall not amend, modify or repeal this Section 15.2 unless such amendment, modification or repeal is approved by the affirmative vote or consent of the holders of at least two-thirds of the voting power of the Corporation, voting as a single class."

SECOND: That the stockholders have voted in favor of this amendment in accordance with the provisions of Section 242 of the DGCL.

THIRD: That this amendment was duly adopted in accordance with the applicable provisions of Sections 242 of the DGCL.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by its duly authorized officer this day of , 2011.

Isle of Capri Casinos, Inc., a Delaware corporation

By: _____
Name: _____
Title: _____

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, James B. Perry, Chief Executive Officer of Isle of Capri Casinos, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Isle of Capri Casinos, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2011

/s/ James B. Perry
James B. Perry
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Dale R. Black, Chief Financial Officer of Isle of Capri Casinos, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Isle of Capri Casinos, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2011

/s/ Dale R. Black
Dale R. Black
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Isle of Capri Casinos, Inc. (the "Company") on Form 10-Q for the period ended January 23, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, James B. Perry, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2011

/s/ James B. Perry

James B. Perry
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Isle of Capri Casinos, Inc. (the "Company") on Form 10-Q for the period ended January 23, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Dale R. Black, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350; that:

- (1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2011

/s/ Dale R. Black
Dale R. Black
Chief Financial Officer

ISLE OF CAPRI CASINOS INC (ISLE)

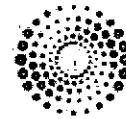
10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filed on 08/31/2011

Filed Period 07/24/2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)



QUARTERLY REPORT PURSUANT TO SECTION 13(a) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 24, 2011

OR



TRANSITION REPORT PURSUANT TO SECTION 13(a) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-20538

ISLE OF CAPRI CASINOS, INC.

Delaware
(State, or other jurisdiction of
incorporation or organization)

41-1659606
(I.R.S. Employer
Identification Number)

600 Emerson Road, Suite 300, Saint Louis, Missouri
(Address of principal executive offices)

63141
(Zip Code)

Registrant's telephone number, including area code: **(314) 813-9200**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 26, 2011, the Company had a total of 38,729,190 shares of Common Stock outstanding (which excludes 3,336,958 shares held by us in treasury).

PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ISLE OF CAPRI CASINOS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	July 24, 2011 (unaudited)	April 24, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 67,854	\$ 175,178
Marketable securities	26,484	22,173
Accounts receivable, net	15,183	9,601
Income taxes receivable	2,933	3,866
Deferred income taxes	11,796	12,097
Prepaid expenses and other assets	31,608	25,444
Total current assets	155,858	348,359
Property and equipment, net	1,107,859	1,113,549
Other assets:		
Goodwill	345,303	345,303
Other intangible assets, net	80,995	182,207
Deferred financing costs, net	17,802	18,911
Restricted cash and investments	13,416	12,810
Prepaid deposits and other	12,130	12,749
Total assets	\$ 1,733,363	\$ 1,733,888
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 5,382	\$ 5,373
Accounts payable	28,775	26,013
Accrued liabilities:		
Payroll and related	42,202	44,187
Property and other taxes	22,558	19,891
Interest	21,928	10,802
Progressive jackpots and slot club awards	16,008	15,280
Other	31,589	32,332
Total current liabilities	168,442	153,878
Long-term debt, less current maturities	1,172,778	1,187,221
Deferred income taxes	29,287	30,762
Other accrued liabilities	36,794	36,305
Other long-term liabilities	16,941	16,694
Stockholders' equity:		
Preferred stock, \$0.01 par value; 2,000,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 60,000,000 shares authorized; shares issued, 42,066,148 at July 24, 2011 and 42,063,569 at April 24, 2011	421	421
Class B common stock, \$0.01 par value; 3,000,000 shares authorized; none issued	—	—
Additional paid-in capital	250,092	254,013
Retained earnings	100,772	103,095
Accumulated other comprehensive (loss) income	(1,812)	(2,235)
Treasury stock, 3,350,291 shares at July 24, 2011 and 3,841,283 at April 24, 2011	(40,352)	(46,266)
Total stockholders' equity	309,121	309,028
Total liabilities and stockholders' equity	\$ 1,733,363	\$ 1,733,888

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended	
	July 24, 2011	July 25, 2010
Revenues:		
Casino	\$ 253,036	\$ 259,162
Rooms	10,944	10,881
Food, beverage, pari-mutuel and other	33,138	34,091
Gross revenues	297,118	304,134
Less promotional allowances	(51,311)	(52,213)
Net revenues	245,807	251,921
Operating expenses:		
Casino	40,036	39,609
Gaming taxes	61,384	64,406
Rooms	2,555	2,769
Food, beverage, pari-mutuel and other	11,168	11,168
Marine and facilities	15,514	14,609
Marketing and administrative	64,164	63,620
Corporate and development	12,301	12,521
Depreciation and amortization	21,467	22,933
Total operating expenses	228,589	231,635
Operating income	17,218	20,286
Interest expense	(21,825)	(23,795)
Interest income	246	474
Derivative expense	(231)	(1,487)
Loss before income taxes	(4,592)	(4,522)
Income tax benefit	2,269	1,867
Net loss	\$ (2,323)	\$ (2,655)
Loss per common share, basic and dilutive:		
Net loss	\$ (0.06)	\$ (0.08)
Weighted average basic shares	38,277,150	32,447,904
Weighted average diluted shares	38,277,150	32,447,904

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
(Unaudited)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accum. Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, April 24, 2011	42,063,569	\$ 421	\$ 254,013	\$ 103,095	\$ (2,235)	\$ (46,266)	\$ 309,028
Net loss	—	—	—	(2,323)	—	—	(2,323)
Deferred hedge adjustment, net of income tax provision of \$251	—	—	—	—	418	—	418
Unrealized gain on interest rate cap contracts net of income tax provision of \$3	—	—	—	—	5	—	5
Comprehensive loss	—	—	—	—	—	—	(1,900)
Exercise of stock options	2,000	—	13	—	—	—	13
Issuance of restricted stock from common stock	579	—	—	—	—	—	—
Issuance of restricted stock from treasury stock	—	—	(5,914)	—	—	5,914	—
Stock compensation expense	—	—	1,980	—	—	—	1,980
Balance, July 24, 2011	42,066,148	\$ 421	\$ 250,092	\$ 100,772	\$ (1,812)	\$ (40,352)	\$ 309,121

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended	
	July 24, 2011	July 25, 2010
Operating activities:		
Net loss	\$ (2,323)	\$ (2,655)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	21,467	22,933
Amortization of deferred financing costs	1,381	821
Deferred income taxes	(1,428)	(1,884)
Stock compensation expense	1,980	1,856
Loss on derivative instruments	231	1,487
Loss (gain) on disposal of assets	86	(191)
Changes in operating assets and liabilities, net of acquisition:		
Purchases of trading securities	(4,311)	(738)
Accounts receivable	(5,032)	(596)
Income tax receivable	933	791
Prepaid expenses and other assets	(5,635)	(6,291)
Accounts payable and accrued liabilities	15,100	12,353
Net cash provided by operating activities	22,449	27,886
Investing activities:		
Purchase of property and equipment	(14,572)	(12,938)
Net cash paid for acquisition, net of cash acquired	—	(76,167)
Restricted cash and investments	(509)	(9,474)
Net cash used in investing activities	(15,081)	(98,579)
Financing activities:		
Principal payments on debt	(1,433)	(2,324)
Net (repayments) borrowings on line of credit	(13,000)	68,500
Payment of deferred financing costs	(272)	—
Proceeds from exercise of stock options	13	3
Net cash (used in) provided by financing activities	(14,692)	66,179
Effect of foreign currency exchange rates on cash	—	(39)
Net decrease in cash and cash equivalents	(7,324)	(4,553)
Cash and cash equivalents, beginning of period	75,178	68,069
Cash and cash equivalents, end of the period	\$ 67,854	\$ 63,516

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.
Notes to Condensed Consolidated Financial Statements
(amounts in thousands, except share and per share amounts)
(Unaudited)

1. Nature of Operations

Isle of Capri Casinos, Inc., a Delaware corporation, was incorporated in February 1990. Except where otherwise noted, the words "we," "us," "our" and similar terms, as well as "Company," refer to Isle of Capri Casinos, Inc. and all of its subsidiaries. We are a leading developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in markets throughout the United States. Our wholly owned subsidiaries own and operate fourteen casino gaming facilities in the United States located in Black Hawk, Colorado; Lake Charles, Louisiana; Lula, Biloxi, Natchez and Vicksburg, Mississippi; Kansas City, Caruthersville and Boonville, Missouri; Bettendorf, Davenport, Waterloo and Marquette, Iowa; and Pompano Beach, Florida.

2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and in accordance with accounting principles generally accepted in the United States of America for interim financial reporting. Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted. The accompanying interim consolidated financial statements have been prepared without audit. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended April 24, 2011 as filed with the SEC and all of our other filings, including Current Reports on Form 8-K, filed with the SEC after such date and through the date of this report, which are available on the SEC's website at www.sec.gov or our website at www.islecorp.com.

Our fiscal year ends on the last Sunday in April. Periodically, this system necessitates a 53-week year. Fiscal 2012 is a 53-week year and 2011 was a 52-week year, which commenced on April 25, 2011 and April 26, 2010, respectively.

The condensed consolidated financial statements include our accounts and those of our subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior period financial statements to conform to the current period presentation. We view each property as an operating segment and all such operating segments have been aggregated into one reporting segment.

We evaluated all subsequent events through the date of the issuance of the consolidated financial statements. No material subsequent events have occurred that required recognition in the condensed consolidated financial statements.

3. Flooding

Due to flooding along the Mississippi River, five of our properties were closed for part of the first quarter of fiscal 2012. Our Davenport property closed on April 15, 2011, and did not reopen until May 1, 2011, or six days into fiscal 2012. Our Caruthersville and Vicksburg properties were closed for 12 and 16 days, respectively, during the first quarter of fiscal 2012. In addition, our Natchez property closed on May 7, 2011 and reopened after 41 days. Our Lula property closed on May 3, 2011 and partially reopened on June 3, 2011. The Lula property remains only partially open as of the date of this report as flood damage is remediated. We maintain insurance coverage subject to various deductibles for both property damage and business interruption. Included in accounts receivable at July 24, 2011 is \$7,465 representing direct reimbursable costs and property

damage net of the insurance policy deductibles. Recognition of business interruption proceeds is contingent upon filing and settlement of our insurance claims.

4. Long-Term Debt

Long-term debt consists of the following:

	July 24, 2011	April 24, 2011
Senior Secured Credit Facility:		
Revolving line of credit, expires November 1, 2013, interest payable at least quarterly at either LIBOR and/or prime plus a margin	\$ 20,000	\$ 33,000
Variable rate term loans, mature November 1, 2013, principal and interest payments due quarterly at either LIBOR and/or prime plus a margin	498,750	500,000
7.75% Senior Notes , interest payable semi-annually March 15 and September 15, net of discount	297,866	297,815
7% Senior Subordinated Notes , interest payable semi-annually March 1 and September 1	357,275	357,275
Other	4,269	4,504
	1,178,160	1,192,594
Less current maturities	5,382	5,373
Long-term debt	\$ 1,172,778	\$ 1,187,221

Credit Facility - Our Senior Secured Credit Facility as amended ("Credit Facility") consists of a \$300,000 revolving line of credit and a \$500,000 term loan. The Credit Facility is secured on a first priority basis by substantially all of our assets and guaranteed by all of our significant domestic subsidiaries.

Our net line of credit availability at July 24, 2011, as limited by our maximum leverage covenant, was approximately \$156,000, after consideration of \$24,000 in outstanding surety bonds and letters of credit. We pay a commitment fee related to the unused portion of the Credit Facility of up to 0.625% which is included in interest expense in the accompanying consolidated statements of operations. The weighted average effective interest rate of the Credit Facility for the three months ended July 24, 2011 was 5.59%.

The Credit Facility includes a number of affirmative and negative covenants. Additionally, we must comply with certain financial covenants including maintenance of a leverage ratio and minimum interest coverage ratio. The Credit Facility also restricts our ability to make certain investments or distributions. We were in compliance with all covenants as of July 24, 2011.

7.75% Senior Notes — In March 2011, we issued \$300,000 of 7.75% Senior Notes due 2019 through a private placement at a price of 99.264% ("Senior Notes"). The net proceeds from the issuance were used to repay term loans under our Credit Facility. The Senior Notes are guaranteed, on a joint and several basis, by substantially all of our significant domestic subsidiaries and certain other subsidiaries as described in Note 13. All of the guarantor subsidiaries are wholly owned by us. The Senior Notes are general unsecured obligations and rank junior to all of our senior secured indebtedness and senior to our senior subordinated indebtedness. The Senior Notes are redeemable, in whole or in part, at our option at any time on or after March 15, 2015, with call premiums as defined in the indenture governing the Senior Notes.

7% Senior Subordinated Notes - Our 7% Senior Subordinated Notes are due 2014 ("Subordinated Notes") and are guaranteed, on a joint and several basis, by all of our significant subsidiaries and certain other subsidiaries as described in Note 13. All of the guarantor subsidiaries are wholly owned by us. The Subordinated Notes are general unsecured obligations and rank junior to all of our senior indebtedness. The Subordinated Notes are redeemable, in whole or in part, at our option at any time with call premiums as defined in the indenture governing the Subordinated Notes.

The indenture governing the Subordinated Notes limits, among other things, our ability and our restricted subsidiaries' ability to borrow money, make restricted payments, use assets as security in other transactions, enter into transactions with affiliates or pay dividends on or repurchase stock. The indenture also limits our ability to issue and sell capital stock of subsidiaries, sell assets in excess of specified amounts or merge with or into other companies.

5. Earnings Per Share

	Three Months Ended	
	July 24, 2011	July 25, 2010
Numerator:		
Net loss	\$ (2,323)	\$ (2,655)
Denominator:		
Denominator for basic earnings (loss) per share - weighted average shares	38,277,150	32,447,904
Effect of dilutive securities:		
Employee stock options	—	—
Denominator for diluted loss per share - adjusted weighted average shares and assumed conversions	38,277,150	32,447,904
Basic earnings (loss) per share:		
Net loss	\$ (0.06)	\$ (0.08)
Diluted earnings (loss) per share:		
Net loss	\$ (0.06)	\$ (0.08)

The following table sets forth the computation of basic and diluted income (loss) per share:

Our basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of shares outstanding for the period. Due to the net loss, stock options representing 107,549 shares, which are potentially dilutive, and 469,710 shares which are anti-dilutive, were excluded from the calculation of common shares for diluted (loss) per share for the three months ended July 24, 2011. Due to the net loss, stock options representing 187,276 shares, which are potentially dilutive, and 534,210 shares which are anti-dilutive, were excluded from the calculation of common shares for diluted (loss) per share for the three months ended July 25, 2010.

6. Stock Based Compensation

Under our amended and restated 2009 Long Term Incentive Plan we have issued restricted stock and stock options.

Restricted Stock—During the first quarter ended July 24, 2011, we issued 490,992 shares of restricted stock with a weighted average grant-date fair value of \$8.73 to employees and 579 shares of restricted stock with a weighted average grant-date fair value of \$8.92 to a director. Restricted stock awarded to employees under annual long-term incentive grants primarily vests one-third on each anniversary of the grant date and for directors vests one-half on the grant date and one-half on the first anniversary of the grant date. Restricted stock awarded under our October 2008 tender offer vests in October 2011. Our estimate of forfeitures for restricted stock for employees is

10%. No forfeiture rate is estimated for directors. As of July 24, 2011, our unrecognized compensation cost for unvested restricted stock is \$5,463 with a remaining weighted average vesting period of 1.2 years.

Stock Options - We have issued incentive stock options and nonqualified stock options which have a maximum term of 10 years and are, generally, vested and exercisable in yearly installments of 20% commencing one year after the date of grant. We currently estimate our aggregate forfeiture rates at 12%. As of July 24, 2011, our unrecognized compensation cost for unvested stock options was \$531 with a weighted average vesting period of 1.9 years.

7. Interest Rate Derivatives

We have entered into various interest rate derivative agreements in order to manage market risk on variable rate term loans outstanding, as well as comply with, in part, requirements under the Credit Facility. We have interest rate swap agreements with an aggregate notional value of \$100,000 with maturity dates in fiscal 2012 and 2014. We have also entered into interest rate cap contracts with an aggregate notional value of \$220,000 having maturity dates in fiscal 2012 and 2013 and paid premiums of \$203 at inception.

As a result of the amendment to our Credit Facility in the fourth quarter of fiscal 2010, our interest rate swaps no longer meet the criteria for hedge effectiveness, and therefore changes in the fair value of the swaps subsequent to the date of ineffectiveness in February 2010, are recorded in derivative income (expense) in the consolidated statement of operations. Prior to their ineffectiveness, changes in the fair value of these interest rate swaps were adjusted through other comprehensive income (loss) as these derivative instruments qualified for hedge accounting. The cumulative loss recorded in other comprehensive income (loss) through the date of ineffectiveness is being amortized into derivative expense over the remaining term of the individual interest rate swap agreements or when the underlying transaction is no longer expected to occur. As of July 24, 2011, the weighted average fixed LIBOR interest rate of our interest rate swap agreements was 4.25%.

The interest rate cap agreements meet the criteria for hedge accounting for cash flow hedges and have been evaluated, as of July 24, 2011, as being fully effective. As a result, there is no impact on our consolidated statement of operations from changes in fair value of the interest rate cap agreements.

The loss recorded in other comprehensive income (loss) of our interest rate swap agreements is recorded net of deferred income tax benefits of \$1,044 and \$1,295, as of July 24, 2011 and April 24, 2011, respectively. The loss recorded in other comprehensive income (loss) for our interest rate cap agreements is recorded net of deferred income tax benefits of \$46 and \$49 as of July 24, 2011 and April 24, 2011, respectively.

The fair values of derivatives included in our consolidated balance sheet are as follows:

Type of Derivative Instrument	Balance Sheet Location	July 24, 2011	April 24, 2011
Interest rate cap contracts	Prepaid deposits and other	\$ 3,291	\$ 291
Interest rate swap contracts	Accrued interest	919	1,439
Interest rate swap contracts	Other long-term liabilities	3,676	3,594

We recorded income of \$438 and \$2,424 in derivative income (expense) related to the change in fair value of interest rate swap contracts during the three months ended July 24, 2011 and July 25, 2010, respectively.

Additionally, during the three months ended July 24, 2011, we realized derivative expense of \$669 associated with the amortization of \$418, net of taxes of \$251, of cumulative loss recorded in other comprehensive income (loss) for the interest rate swaps through the date of their ineffectiveness. During the three months ended July 25, 2010, we realized derivative expense of \$3,911 associated with the amortization of \$2,449, net of taxes of \$1,462, of cumulative loss recorded in other comprehensive income (loss) for the interest rate swaps through the date of their ineffectiveness.

The change in unrealized gain (loss) on our derivatives qualifying for hedge accounting was \$26 and \$22 for the three months ended July 24, 2011 and July 25, 2010, respectively.

The amount of accumulated other comprehensive income (loss) related to interest rate swap contracts and interest rate cap contracts maturing within the next twelve months was \$1,121, net of tax of \$675, as of July 24, 2011.

8. Fair Value

The fair value of our interest swap and cap contracts are recorded using Level 3 inputs at the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation.

The following table presents the changes in Level 3 liabilities measured at fair value on a recurring basis for the three months ended July 24, 2011:

	Interest Rate Hedges
Balance at April 24, 2011	\$ (5,004)
Realized gains/(losses)	438
Unrealized gains/(losses)	(26)
Balance at July 24, 2011	\$ (4,592)

Financial Instruments - The estimated carrying amounts and fair values of our other financial instruments are as follows:

	July 24, 2011		April 24, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 67,854	\$ 67,854	\$ 75,178	\$ 75,178
Marketable securities	26,484	26,484	22,173	22,173
Restricted cash	13,416	13,416	12,810	12,810
Notes receivable	3,041	3,041	3,788	3,788
Financial liabilities:				
Revolving line of credit	\$ 20,000	\$ 18,200	\$ 33,000	\$ 31,350
Variable rate term loans	498,750	502,490	500,000	505,000
7% Senior subordinated notes	357,275	359,061	357,275	358,615
7.75% Senior notes	297,866	304,940	297,815	305,055
Other long-term debt	4,269	4,269	4,504	4,504
Other long-term obligations	16,941	16,941	16,694	16,694

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents, restricted cash and notes receivable are carried at cost, which approximates fair value due to their short-term maturities.

Marketable securities are based upon Level 1 inputs obtained from quoted prices available in active markets and represent the amounts we would expect to receive if we sold these marketable securities.

The fair value of our long-term debt or other long-term obligations is estimated based on the quoted market price of the underlying debt issue or, when a quoted market price is not available, the discounted cash flow of future payments utilizing current rates available to us for debt of similar remaining maturities. Debt obligations with a short remaining maturity are valued at the carrying amount.

9. Accumulated Other Comprehensive Income (Loss)

A detail of Accumulated other comprehensive income (loss) is as follows:

	July 24, 2011	April 24, 2011
Interest rate cap contracts	\$ (77)	\$ (82)
Interest rate swap contracts	(1,735)	(2,153)
	\$ (1,812)	\$ (2,235)

The amount of change in the gain (loss) recognized in accumulated other comprehensive income (loss) related to derivative instruments is as follows:

Type of Derivative Instrument	Three Months Ended	
	July 24, 2011	July 25, 2010
Interest rate cap contracts	\$ (13)	\$ (13)
Interest rate swap contracts	418	2,449
	\$ 423	\$ 2,436

10. Income Taxes

Our effective income tax rates for the three months ended July 24, 2011 and July 25, 2010 were 49.4% and 41.3%, respectively. Our effective rate is based on statutory rates applied to our income adjusted for permanent differences. Our actual effective rate will fluctuate based upon the amount of our pretax book income, permanent differences and other items used in the calculation of our income tax benefit. During the first quarter ended July 24, 2011, the federal statute of limitations expired for the open tax years ending April 2006 and April 2007.

11. Supplemental Disclosures

Cash Flow — For the three months ended July 24, 2011 and July 25, 2010, we made net cash payments for interest of \$8,916 and \$16,712, respectively. Additionally, we received income tax refunds of \$109 and \$927 during the three months ended July 24, 2011 and July 25, 2010, respectively.

For the three months ended July 24, 2011 and July 25, 2010, the change in accrued purchases of property and equipment in accounts payable increased by \$630 and \$1,206, respectively.

Acquisition — We completed the acquisition of Rainbow Casino-Vicksburg Partnership, L.P. ("Rainbow") located in Vicksburg, Mississippi on June 8, 2010 acquiring 100% of the partnership interests and have included the results of Rainbow in our consolidated financial statements subsequent to June 8, 2010. The pro forma results of operations, as if the acquisition of Rainbow had occurred on the first day of fiscal 2011, is as follows:

	Three Months Ended
	July 25, 2010
Pro forma	
Net revenues	\$ 255,738
Loss before income taxes	(4,407)
Net loss	(2,583)
Basic and diluted loss per share	(0.08)

12. Commitments and Contingencies

Development Projects—On December 1, 2010, our proposed casino in Cape Girardeau, Missouri was selected by the Missouri Gaming Commission for prioritization for the 13th and final gaming license in the State of Missouri. We had previously entered into a development agreement with the City of Cape Girardeau. We currently estimate the cost of the project at approximately \$125,000 with an anticipated opening date by the end of calendar 2012.

On April 14, 2011, the Nemacolin Woodlands Resort ("Nemacolin") in Farmington, Pennsylvania was selected by the Pennsylvania Gaming Control Board for the final Category 3 resort gaming license. We had previously entered into an agreement with Nemacolin to complete the build-out of the casino space and provide management services of the casino. We currently estimate the project cost at approximately \$50,000. The award of the Pennsylvania license to Nemacolin has been appealed to the Pennsylvania Supreme Court by one of the other applicants. Subject to a successful ruling in the appeal, we expect to complete construction of the facility within approximately nine months after commencing construction.

Legal and Regulatory Proceedings—Our wholly owned subsidiary, Lady Luck Gaming Corporation and several joint venture partners have been defendants in the Greek Civil Courts and the Greek Administrative Courts in similar lawsuits brought by the country of Greece. The actions allege that the defendants failed to make specified payments in connection with the gaming license bid process for Patras, Greece. Although it is difficult to determine the damages being sought from the lawsuits, the action may seek damages up to that aggregate amount plus interest from the date of the action.

In the Civil Court lawsuit, the Civil Court of First Instance ruled in our favor and dismissed the lawsuit in 2001. Greece appealed to the Civil Appeal Court and, in 2003, the Court rejected the appeal. Greece then appealed to the Civil Supreme Court and, in 2007, the Supreme Court ruled that the matter was not properly before the Civil Courts and should be before the Administrative Court.

In the Administrative Court lawsuit, the Administrative Court of First Instance rejected the lawsuit stating that it was not competent to hear the matter. Greece then appealed to the Administrative Appeal Court, which court rejected the appeal in 2003. Greece then appealed to the Supreme Administrative Court, which remanded the

matter back to the Administrative Appeal Court for a hearing on the merits. The re-hearing took place in 2006, and in 2008 the Administrative Appeal Court rejected Greece's appeal on procedural grounds. On December 22, 2008 and January 23, 2009, Greece appealed the ruling to the Supreme Administrative Court. A hearing has tentatively been scheduled for October 2011.

The outcome of this matter is still in doubt and cannot be predicted with any degree of certainty. We intend to continue a vigorous and appropriate defense to the claims asserted in this matter. Through July 24, 2011, we have accrued an estimated liability including interest of \$11,980. Our accrual is based upon management's estimate of the original claim by the plaintiffs for lost payments. We continue to accrue interest on the asserted claim. We are unable to estimate a total possible loss as information as to possible additional claims, if any, have not been asserted or quantified by the plaintiffs at this time.

We and our wholly-owned subsidiary, Riverboat Corporation of Mississippi ("RCM"), are defendants in a lawsuit filed in the Circuit Court of Adams County, Mississippi by Silver Land, Inc., alleging breach of contract in connection with our 2006 sale of casino operations in Vicksburg, Mississippi, to a third party. In January 2011, the court ruled in favor of Silver Land and scheduled a hearing for damages. The hearing is currently scheduled for September 2011 and Silver Land has asserted damages of approximately \$2,400 plus interest from the original judgment date in January 2011. The outcome of this matter is still in doubt and cannot be predicted with any degree of certainty. We intend to continue a vigorous and appropriate defense to the claims asserted by Silver Land in this matter. After damages are assessed, we plan to appeal the judgment of the circuit court and we believe it is more likely than not we will obtain a favorable ruling on appeal.

We are subject to certain federal, state and local environmental protection, health and safety laws, regulations and ordinances that apply to businesses generally, and are subject to cleanup requirements at certain of our facilities as a result thereof. We have not made, and do not anticipate making material expenditures, nor do we anticipate incurring delays with respect to environmental remediation or protection. However, in part because our present and future development sites have, in some cases, been used as manufacturing facilities or other facilities that generate materials that are required to be remediated under environmental laws and regulations, there can be no guarantee that additional pre-existing conditions will not be discovered and we will not experience material liabilities or delays.

We are subject to various contingencies and litigation matters and have a number of unresolved claims. Although the ultimate liability of these contingencies, this litigation and these claims cannot be determined at this time, we believe they will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

13. Consolidating Condensed Financial Information

Certain of our wholly owned subsidiaries have fully and unconditionally guaranteed on a joint and several basis, the payment of all obligations under our 7.75% Senior Notes and 7% Senior Subordinated Notes.

The following wholly owned subsidiaries of the Company are guarantors, on a joint and several basis, under the 7.75% Senior Notes and 7% Senior Subordinated Notes: Black Hawk Holdings, L.L.C.; Casino America of Colorado, Inc.; CCSC/Blackhawk, Inc.; Grand Palais Riverboat, Inc.; IC Holdings Colorado, Inc.; IOC-Black Hawk Distribution Company, L.L.C.; IOC-Boonville, Inc.; IOC-Caruthersville, L.L.C.; IOC-Kansas City, Inc.; IOC-Lula, Inc.; IOC-Natchez, Inc.; IOC Black Hawk County, Inc.; IOC Davenport, Inc.; IOC Holdings, L.L.C.; IOC Services, LLC; IOC-Vicksburg, Inc.; IOC-Vicksburg, LLC; Rainbow Casino Vicksburg Partnership, L.P.; IOC Cape Girardeau, LLC; Isle of Capri Bettendorf Marina Corporation; Isle of Capri Bettendorf, L.C; Isle of Capri Black Hawk Capital Corp.; Isle of Capri Black Hawk, L.L.C.; Isle of Capri Marquette, Inc.; P.P.I, Inc.; Riverboat Corporation of Mississippi; Riverboat Services, Inc.; and St. Charles Gaming Company, Inc.

Consolidating condensed balance sheets as of July 24, 2011 and April 24, 2011 are as follows (in thousands):

As of July 24, 2011					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Balance Sheet					
Current assets	\$ 46,192	\$ 84,343	\$ 32,659	\$ (7,336)	\$ 155,858
Intercompany receivables	998,061	(210,429)	(49,864)	(737,768)	—
Investments in subsidiaries	421,220	(65,541)	(37)	(355,642)	—
Property and equipment, net	10,009	1,065,611	32,239	—	1,107,859
Other assets	65,979	441,293	17,267	(54,893)	469,646
Total assets	\$ 1,541,461	\$ 1,315,277	\$ 32,264	\$ (1,155,639)	\$ 1,733,363
Current liabilities	\$ 53,788	\$ 86,628	\$ 35,362	\$ (7,336)	\$ 168,442
Intercompany payables	—	737,768	—	(737,768)	—
Long-term debt, less current maturities	1,168,891	3,307	580	—	1,172,778
Other accrued liabilities	9,661	114,281	13,973	(54,893)	83,022
Stockholders' equity	309,121	373,293	(17,651)	(355,642)	309,121
Total liabilities and stockholders' equity	\$ 1,541,461	\$ 1,315,277	\$ 32,264	\$ (1,155,639)	\$ 1,733,363
As of April 24, 2011					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Balance Sheet					
Current assets	\$ 28,886	\$ 87,650	\$ 32,274	\$ (451)	\$ 148,359
Intercompany receivables	1,020,593	(226,226)	(56,599)	(737,768)	—
Investments in subsidiaries	418,767	(65,229)	(37)	(353,501)	—
Property and equipment, net	10,215	1,071,415	31,919	—	1,113,549
Other assets	63,889	441,794	20,002	(53,705)	471,980
Total assets	\$ 1,542,350	\$ 1,309,404	\$ 27,559	\$ (1,145,425)	\$ 1,733,888
Current liabilities	\$ 40,714	\$ 84,565	\$ 29,050	\$ (451)	\$ 153,878
Intercompany payables	—	737,768	—	(737,768)	—
Long-term debt, less current maturities	1,183,091	3,517	613	—	1,187,221
Other accrued liabilities	9,517	114,205	13,744	(53,705)	83,761
Stockholders' equity	309,028	369,349	(15,848)	(353,501)	309,028
Total liabilities and stockholders' equity	\$ 1,542,350	\$ 1,309,404	\$ 27,559	\$ (1,145,425)	\$ 1,733,888

Consolidating condensed statements of operations for the three months ended July 24, 2011 and July 25, 2010 are as follows (in thousands):

	For the Three Months Ended July 24, 2011			
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries
Statement of Operations				
Revenues:				
Casino	\$ —	\$ 253,036	\$ —	\$ —
Rooms, food, beverage, pari-mutuel and other	151	43,914	2,420	(2,403)
Gross revenues	151	296,950	2,420	(2,403)
Less promotional allowances	—	(51,311)	—	—
Net revenues	151	245,639	2,420	(2,403)
Operating expenses:				
Casino	—	40,036	—	—
Gaming taxes	—	61,384	—	—
Other operating expenses	12,889	93,436	1,780	(2,403)
Management fee expense (revenue)	(8,624)	18,624	—	—
Depreciation and amortization	433	20,896	138	—
Total operating expenses	4,698	224,376	1,918	(2,403)
Operating income (loss)	(4,547)	21,263	502	—
Interest expense, net	(6,487)	(14,960)	(132)	—
Other	(231)	—	—	—
Equity in income (loss) of subsidiaries	2,296	(317)	—	(1,979)
Income (loss) before income taxes	(8,969)	5,986	370	(1,979)
Income tax (provision) benefit	6,646	(2,204)	(2,173)	—
Net income (loss)	\$ (2,323)	\$ 3,782	\$ (1,803)	\$ (1,979)

For the Three Months Ended July 25, 2010

	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Statement of Operations					
Revenues:					
Casino	\$ —	\$ 259,162	\$ —	\$ —	\$ 259,162
Rooms, food, beverage, pari-mutuel and other	322	44,626	2,544	(2,520)	44,972
Gross revenues	322	303,788	2,544	(2,520)	304,134
Less promotional allowances	—	(52,213)	—	—	(52,213)
Net revenues	322	251,575	2,544	(2,520)	251,921
Operating expenses:					
Casino	—	39,609	—	—	39,609
Gaming taxes	—	64,406	—	—	64,406
Other operating expenses	11,025	92,172	4,010	(2,520)	104,687
Management fee expense (revenue)	(8,713)	8,713	—	—	—
Depreciation and amortization	580	22,201	152	—	22,933
Total operating expenses	2,892	227,101	4,162	(2,520)	231,635
Operating income (loss)	(2,570)	24,474	(1,618)	—	20,286
Interest expense, net	(7,945)	(15,333)	(43)	—	(23,321)
Other	(1,487)	—	—	—	(1,487)
Equity in income (loss) of subsidiaries	4,834	(645)	—	(4,189)	—
Income (loss) before income taxes	(7,168)	8,496	(1,661)	(4,189)	(4,522)
Income tax (provision) benefit	4,513	(2,868)	222	—	1,867
Net income (loss)	\$ (2,655)	\$ 5,628	\$ (1,439)	\$ (4,189)	\$ (2,655)

Consolidating condensed statements of cash flows for the three months ended July 24, 2011 and July 25, 2010 are as follows (in thousands):

Three Months Ended July 24, 2011					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Statement of Cash Flows					
Net cash provided by (used in) operating activities	\$ (1,865)	\$ 21,226	\$ 3,088	\$ —	\$ 22,449
Net cash provided by (used in) investing activities	22,172	(14,502)	(222)	(22,529)	(15,081)
Net cash provided by (used in) financing activities	(14,458)	(15,996)	(6,767)	22,529	(14,692)
Effect of foreign currency exchange rates on cash and cash equivalents	—	—	—	—	—
Net increase (decrease) in cash and cash equivalents	5,849	(9,272)	(3,901)	—	(7,324)
Cash and cash equivalents at beginning of the period	3,952	62,105	9,121	—	75,178
Cash and cash equivalents at end of the period	\$ 9,801	\$ 52,833	\$ 5,220	\$ —	\$ 67,854

Three Months Ended July 25, 2010					
	Isle of Capri Casinos, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating and Eliminating Entries	Isle of Capri Casinos, Inc. Consolidated
Statement of Cash Flows					
Net cash provided by (used in) operating activities	\$ (15,500)	\$ 34,460	\$ 8,926	\$ —	\$ 27,886
Net cash provided by (used in) investing activities	(49,468)	(88,293)	(9,654)	48,836	(98,579)
Net cash provided by (used in) financing activities	66,404	57,892	(9,281)	(48,836)	66,179
Effect of foreign currency exchange rates on cash and cash equivalents	—	—	(39)	—	(39)
Net increase (decrease) in cash and cash equivalents	1,436	4,059	(10,048)	—	(4,553)
Cash and cash equivalents at beginning of the period	6,506	46,994	14,569	—	68,069
Cash and cash equivalents at end of the period	\$ 7,942	\$ 51,053	\$ 4,521	\$ —	\$ 63,516

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements that we believe are, or may be considered to be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this report regarding the prospects of our industry or our prospects, plans, financial position or business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as "may," "will," "expect," "intend," "estimate," "foresee," "project," "anticipate," "believe," "plans," "forecasts," "continue" or "could" or the negatives of these terms or variations of them or similar terms. Furthermore, such forward-looking statements may be included in various filings that we make with the SEC or press releases or oral statements made by or with the approval of one of our authorized executive officers. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which reflect management's opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements. You are advised, however, to consult any additional disclosures we make in our reports to the SEC. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report.

For a more complete description of the risks that may affect our business, see our Annual Report on Form 10-K for the year ended April 24, 2011.

Executive Overview

We are a developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in regional markets in the United States. We have intentionally sought geographic diversity to limit the risks caused by weather, regional economic difficulties and local gaming authorities and regulations. We currently operate casinos in Mississippi, Louisiana, Missouri, Iowa, Colorado and Florida. We also operate a harness racing track at our casino in Florida.

Our operating results for the periods presented have been affected, both positively and negatively, by current economic conditions and several other factors discussed in detail below. Our historical operating results may not be indicative of our future results of operations because of these factors and the changing competitive landscape in each of our markets, as well as by factors discussed elsewhere herein. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K for the year ended April 24, 2011 and by giving consideration to the following:

Flooding—Due to flooding along the Mississippi River, five of our properties have been closed for a portion of our first quarter ended July 24, 2011. We maintain insurance coverage subject to various deductibles for both property damage and business interruption. Recognition of business interruption proceeds is contingent upon filing and settlement of our insurance claims. A summary of the closure dates and subsequent reopening is as follows:

	Closing Date	Reopening Date	Number Days Closed
Davenport, Iowa	April 15, 2011	May 1, 2011	15(A)
Cantharville, Missouri	May 1, 2011	May 13, 2011	12
Hula, Mississippi	May 3, 2011	June 3, 2011	31(B)
Natchez, Mississippi	May 7, 2011	June 17, 2011	41
Vicksburg, Mississippi	May 11, 2011	May 27, 2011	16

(A) Six days of closure in the first quarter of fiscal 2012

(B) One of the two casino barges remains closed as flood damage is remediated

Florida Gaming Law Changes — Effective July 1, 2010, legislative changes became effective in Florida which lowered the state portion of gaming taxes applicable to our Pompano property from 50% to 35% of gaming revenues. Additionally, this legislation allows our poker operations to remain open for the same hours as the slot floor and removes the poker betting limits. Our casino revenues and gaming taxes reflect the favorable impact of these changes in state gaming laws.

Acquisition of Rainbow Casino - We completed the acquisition of Rainbow Casino-Vicksburg Partnership, L.P. ("Rainbow") located in Vicksburg, Mississippi on June 8, 2010 acquiring 100% of the partnership interests and have included the results of Rainbow in our consolidated financial statements subsequent to June 8, 2010. The acquisition was funded by borrowings from our Credit Facility.

Revenues

Revenues for the three months ended July 24, 2011 and July 25, 2010 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	July 24, 2011	July 25, 2010		
Revenues:				
Casino	\$ 253,036	\$ 259,162	\$ (6,126)	-2.4%
Rooms	10,944	10,881	63	0.6%
Food, beverage, pari-mutuel and other	33,138	34,091	(953)	-2.8%
Gross revenues	297,118	304,134	(7,016)	-2.3%
Less promotional allowances	(51,311)	(52,213)	902	-1.7%
Net revenues	\$ 245,807	\$ 251,921	\$ (6,114)	-2.4%

Casino Revenues - Casino revenues decreased \$6.1 million, or 2.4%, for the three months ended July 24, 2011, as compared to the same period in fiscal 2011. Casino revenues for our properties not closed due to flooding increased \$5.3 million, or 2.6% for the three months ended July 24, 2011, as compared to the same period in fiscal 2011. This included increased casino revenues of \$1.9 million at our Pompano property and \$2.1 million at our Black Hawk property.

Rooms Revenue - Rooms revenue remained stable for the three months ended July 24, 2011, as compared to the same period in the prior fiscal year. Rooms revenue for our properties not closed due to flooding increased \$0.5 million, or 5.3% for the three months ended July 24, 2011, as compared to the same period in fiscal 2011.

Food, Beverage, Pari-Mutuel and Other Revenues — Food, beverage, pari-mutuel and other revenues decreased \$1.0 million, or 2.8%, for the three months ended July 24, 2011, as compared to the same period in the prior fiscal year. Food, beverage, pari-mutuel and other revenue for our properties not closed due to flooding increased \$0.4 million, or 1.3% for the three months ended July 24, 2011, as compared to the same period in fiscal 2011.

Promotional Allowances - Promotional allowances decreased \$0.9 million, or 1.7%, for the three months ended July 24, 2011, as compared to the same period in the prior fiscal year. Promotional allowances for our properties not closed due to flooding increased \$0.9 million, or 2.1% for the three months ended July 24, 2011, as compared to the same period in fiscal 2011. Changes in our promotional allowances reflect revisions to our marketing plans as a result of changes in competition, economic conditions and regulations.

Operating Expenses

Operating expenses for the three months ended July 24, 2011 and July 25, 2010 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	July 24, 2011	July 25, 2010		
Operating expenses:				
Casino	\$ 40,036	\$ 39,609	\$ 427	1.1%
Gaming taxes	61,384	64,406	(3,022)	-4.7%
Rooms	2,555	2,769	(214)	-7.7%
Food, beverage, pari-mutuel and other	11,168	11,168	—	0.0%
Marine and facilities	15,514	14,609	905	6.2%
Marketing and administrative	64,164	63,620	544	0.9%
Corporate and development	12,301	12,521	(220)	-1.8%
Depreciation and amortization	21,467	22,933	(1,466)	-6.4%
Total operating expenses	\$ 228,589	\$ 231,635	(3,046)	-1.3%

Casino - Casino operating expenses increased \$0.4 million, or 1.1%, for the three months ended July 24, 2011, as compared to the same period in the prior fiscal year. Casino operating expenses for our properties not closed due to flooding increased \$1.2 million, or 3.7% for the three months ended July 24, 2011, as compared to the same period in fiscal 2011 reflective of increased casino revenues at these properties.

Gaming Taxes - State and local gaming taxes decreased \$3.0 million, or 4.7%, for the three months ended July 24, 2011, as compared to the same period in the prior fiscal year. Reductions in gaming taxes for the three months ended July 24, 2011 reflect the decrease in state gaming taxes at our Pompano facility from 50% to 35% effective July 1, 2010, decreases in our overall gaming revenues and changes in the mix of our gaming revenues derived from states with different gaming tax rates.

Rooms - Rooms expense decreased \$0.2 million, or 7.7%, for the three months ended July 24, 2011, as compared to the same period in the prior fiscal year. Rooms expense for our properties not closed due to flooding decreased \$0.1 million, or 3.7% for the three months ended July 24, 2011, as compared to the same period in fiscal 2011. These expenses directly relate to the cost of providing hotel rooms.

Food, Beverage, Pari-Mutuel and Other — Food, beverage, pari-mutuel and other expenses remained stable for the three months ended July 24, 2011, as compared to the same period in the prior fiscal year. Food, beverage, pari-mutuel and other revenue for our properties not closed due to flooding increased \$0.1 million, or 1.0% for the three months ended July 24, 2011, as compared to the same period in fiscal 2011.

Marine and Facilities - Marine and facilities expenses increased \$0.9 million, or 6.2%, for the three months ended July 24, 2011 as compared to the same period in the prior fiscal year. Marine and facilities expense for our properties not closed due to flooding increased \$1.2 million, or 10.3% for the three months ended July 24, 2011, as compared to the same period in fiscal 2011 reflecting increased spending for repairs and maintenance.

Marketing and Administrative - Marketing and administrative expenses increased \$0.5 million, or 0.9%, for the three months ended July 24, 2011 as compared to the same period in the prior fiscal year. Marketing and administrative expenses for our properties not closed due to flooding increased \$1.6 million, or 3.2% for the three

months ended July 24, 2011, as compared to the same period in fiscal 2011 reflecting increased marketing expenditures designed to increase market share and customer trials.

Corporate and Development — During the three months ended July 24, 2011, our corporate and development expenses were \$12.3 million compared to \$12.5 million for the three months ended July 25, 2010. The decrease is a result of acquisition and abandoned equity offering costs in the first quarter of 2011 primarily offset by the timing of the cash portion of long-term incentive compensation, which was awarded in the first quarter of fiscal 2012 versus the second quarter of fiscal 2011.

Depreciation and Amortization - Depreciation and amortization expense for the three months ended July 24, 2011 decreased \$1.5 million, as compared to the same period in the prior fiscal year, primarily due to certain assets becoming fully depreciated.

Other Income (Expense) and Income Taxes

Interest expense, interest income, derivative expense and income tax (provision) benefit for the three months ended July 24, 2011 and July 25, 2010 are as follows:

(in thousands)	Three Months Ended		Variance	Percentage Variance
	July 24, 2011	July 25, 2010		
Interest expense	\$ (21,825)	\$ (23,795)	\$ 1,970	8.3%
Interest income	246	474	(228)	-48.1%
Derivative expense	(231)	(1,487)	1,256	-84.5%
Income tax benefit (provision)	2,269	1,867	402	21.5%

Interest Expense - Interest expense decreased \$2.0 million for the three months ended July 24, 2011, as compared to the same period in the prior fiscal year. This decrease primarily reflects the expiration of several interest rate swap agreements during fiscal 2011.

Derivative Expense — This includes expenses related to the change in fair value of our ineffective interest rate swaps and amortization of the cumulative loss in other comprehensive income at the date of ineffectiveness. Our interest rate swaps became ineffective following the amendment of our senior secured credit facility during the fourth quarter of fiscal year 2010. The decrease for the three months ended July 24, 2011 compared to the same period in the prior fiscal year reflects the maturity of certain interest rate swap agreements.

Income Tax Benefit (Provision) — Our income tax benefit (provision) from continuing operations and our effective income tax rate has been impacted our estimate of annual taxable income for financial statement purposes; our percentage of permanent and other items in relation to such estimated income or loss, as well as the expiration of federal statute of limitations on open tax years ending in April 2006 and April 2007.

Liquidity and Capital Resources

Cash Flows from Operating Activities - During the three months ended July 24, 2011, we generated \$22.4 million in cash flows from operating activities compared to generating \$27.9 million during the three months ended July 25, 2010. The year over year decrease in cash flows from operating activities is primarily the result of increases in insurance receivables of \$7.2 million due to flooding during the first quarter of fiscal 2012.

Cash Flows used in Investing Activities - During the three months ended July 24, 2011, we used \$15.1 million for investing activities compared to using \$98.6 million during the three months ended July 25, 2010. Significant investing activities for the three months ended July 24, 2011 included capital expenditures of \$14.6 million, including \$4.1 million relating to Cape Girardeau and Nemacolin. Significant investing activities for the three months ended July 25, 2010 included the purchase of the Rainbow casino in Vicksburg, Mississippi for \$76.2 million, net of cash acquired and purchase price adjustments, purchases of property and equipment of \$12.9

million and increases in restricted cash at our captive insurance company by \$9.5 million to fund insurance reserves in lieu of providing letters of credit.

Cash Flows used in Financing Activities — During the three months ended July 24, 2011, our net cash flows used in financing activities were used primarily to repay our outstanding long-term debt of \$14.4 million. During the three months ended July 25, 2010, we had net borrowings under our line of credit of \$68.5 million which included the borrowing of \$80 million to fund our acquisition of the Rainbow casino in Vicksburg, Mississippi, and also used \$2.3 million to repay other outstanding long-term debt.

Availability of Cash and Additional Capital - At July 24, 2011, we had cash and cash equivalents of \$67.9 million and marketable securities of \$26.5 million. As of July 24, 2011, we had \$20 million in revolving credit and \$498.8 million in term loans outstanding under the senior secured credit facility. Our line of credit availability at July 24, 2011 was approximately \$156 million as limited by our leverage ratio.

Capital Expenditures and Development Activities—As part of our business development activities, historically we have entered into agreements which have resulted in the acquisition or development of businesses or assets. These business development efforts and related agreements typically require the expenditure of cash, which may be significant. The amount and timing of our cash expenditures relating to development activities may vary based upon our evaluation of current and future development opportunities, our financial condition and the condition of the financing markets. Our development activities are subject to a variety of factors including but not limited to: obtaining permits, licenses and approvals from appropriate regulatory and other agencies, legislative changes and, in certain circumstances, negotiating acceptable leases.

On December 1, 2010, our proposed casino in Cape Girardeau, Missouri was selected by the Missouri Gaming Commission for prioritization for the 13th and final gaming license in the State of Missouri. We had previously entered into a development agreement with the City of Cape Girardeau.

Our Cape Girardeau project is expected to include 1,000 slot machines, 28 table games, three restaurants, a lounge and terrace overlooking the Mississippi River and a 750-seat event center. We currently estimate the cost of the project at approximately \$125 million with an anticipated opening date by the end of calendar 2012. At July 24, 2011, we have incurred capital expenditures, including capitalized interest, of \$17.0 million including current year capital expenditures of \$4.0 million. For the balance of the current fiscal year, we estimate additional capital expenditures of approximately \$50 million.

On April 14, 2011, our proposed casino in Nemacolin, Pennsylvania was selected by the Pennsylvania Gaming Control Board. We have entered into a development and management agreement with Nemacolin Woodlands Resort to build and operate a casino which is expected to include 600 slot machines and 28 table games. We currently estimate the project cost at approximately \$50 million. The award of the Pennsylvania license to Nemacolin has been appealed to the Pennsylvania Supreme Court by one of the other applicants. Subject to a successful ruling in the appeal, we expect to complete construction of the facility within approximately nine months after commencing construction. At July 24, 2011, we have incurred capital expenditures, including capitalized interest, of \$0.4 million including current year capital expenditures of \$0.1 million. The timing of additional significant expenditures is dependent upon resolution of the items discussed above.

Historically, we have made significant investments in property and equipment and expect that our operations will continue to demand ongoing investments to keep our properties competitive. During the three months ended July 24, 2011, we have incurred capital expenditures at our existing properties of \$10.5 million. For the balance of the current fiscal year, we estimate additional capital expenditures at our existing properties to be approximately \$40 million.

We have identified several capital projects primarily focused on refreshing our hotel room inventory as well as additional improvements to our Black Hawk and Lake Charles properties, and further Lady Luck conversions. The timing, completion and amount of these capital projects will be determined as we gain more clarity as to improvement of economic and local market conditions, cash flows from our continuing operations and borrowing availability under our Credit Facility.

Typically, we have funded our daily operations through net cash provided by operating activities and our significant capital expenditures through operating cash flow and debt financing. While we believe that cash on hand, proceeds from our recent equity offering, cash flow from operations, and available borrowings under our Credit Facility will be sufficient to support our working capital needs, planned capital expenditures and debt service requirements for the foreseeable future, there is no assurance that these sources will in fact provide adequate funding for our planned and necessary expenditures or that the level of our capital investments will be sufficient to allow us to remain competitive in our existing markets.

We are highly leveraged and may be unable to obtain additional debt or equity financing on acceptable terms if our current sources of liquidity are not sufficient or if we fail to stay in compliance with the covenants of our senior secured credit facility. We will continue to evaluate our planned capital expenditures at each of our existing locations in light of the operating performance of the facilities at such locations.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles that require our management to make estimates and assumptions that affect reported amounts and related disclosures. Management identifies critical accounting estimates as:

- those that require the use of assumptions about matters that are inherently and highly uncertain at the time the estimates are made;
- those estimates where, had we chosen different estimates or assumptions, the resulting differences would have had a material impact on our financial condition, changes in financial condition or results of operations; and
- those estimates that, if they were to change from period to period, likely would result in a material impact on our financial condition, changes in financial condition or results of operations.

For a discussion of our significant accounting policies and estimates, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements presented in our 2011 Annual Report on Form 10-K. There were no newly identified significant accounting estimates in the first quarter of fiscal year 2012, nor were there any material changes to the critical accounting policies and estimates set forth in our 2011 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, including interest rates, commodity prices and equity prices. Our primary exposure to market risk is interest rate risk associated with our Isle of Capri Casinos, Inc. senior secured credit facility ("Credit Facility").

We have entered into interest rate swap and cap arrangements with aggregate notional value of \$320.0 million as of July 24, 2011. The swap agreements effectively convert portions of the Credit Facility variable debt to a fixed-rate basis until the respective swap agreements terminate, which occurs during fiscal years 2012, 2013 and 2014.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on the evaluation, management has concluded that the design and operation of our disclosure controls and procedures are effective as of July 24, 2011.

Because of its inherent limitations, systems of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal controls over financial reporting during the fiscal quarter ended July 24, 2011, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A reference is made to the information contained in Footnote 12 of our unaudited condensed consolidated financial statements included herein, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

We are not aware of any material changes to the disclosure regarding risk factors presented in our Annual Report on Form 10-K for the fiscal year ended April 24, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We have purchased our common stock under stock repurchase programs. These programs allow for the repurchase of up to 6,000,000 shares. To date, we have purchased 4,895,792 shares of our common stock under these programs. These programs have no approved dollar amount, nor expiration dates. No purchases were made during the three months ended July 24, 2011.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS SUBJECT TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See the Index to Exhibits following the signature page hereto for a list of the exhibits filed pursuant to Item 601 of Regulation S-K.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ISLE OF CAPRI CASINOS, INC.

Dated: August 31, 2011

/s/ DALE R. BLACK

Dale R. Black
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Authorized Officer)

EXHIBIT NUMBER	DESCRIPTION
31.1	Certification of Chief Executive Officer pursuant to Rule 13a—14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a—14(a) under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101	The following financial statements and notes from the Isle of Capri Casinos, Inc. Quarterly Report on Form 10-Q for the quarter ended July 24, 2011, filed on August 31, 2011, formatted in XBRL: (i) Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Operations; (iii) Condensed Consolidated Statements of Stockholders' Equity; (iv) Condensed Consolidated Statements of Cash Flows; and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Virginia M. McDowell, Chief Executive Officer of Isle of Capri Casinos, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Isle of Capri Casinos, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 31, 2011

/s/ Virginia M. McDowell

Virginia M. McDowell

Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Dale R. Black, Chief Financial Officer of Isle of Capri Casinos, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Isle of Capri Casinos, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 31, 2011

/s/ Dale R. Black
Dale R. Black
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Isle of Capri Casinos, Inc. (the "Company") on Form 10-Q for the period ended July 24, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Virginia M. McDowell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 31, 2011

/s/ Virginia M. McDowell
Virginia M. McDowell
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Isle of Capri Casinos, Inc. (the "Company") on Form 10-Q for the period ended July 24, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Dale R. Black, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 31, 2011

/s/ Dale R. Black
Dale R. Black
Chief Financial Officer